Annual Report
2015

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MOZA
MOZA

Contents

Message from the Chairman

Prakash Ratilal
Chairman of the Board of Directors
Moza Banco, SA

Dear Customers and Shareholders,

The financial year ended December 2015 will stand out, in the history of this institution, as the year in which Moza achieved robust levels of growth, definitively consolidating its presence at national level. It also saw a decisive contribution to a series of innovative initiatives in the area of financial inclusion and banking outreach to the broader population. Above all, however, 2015 was the year in which Moza changed its brand image, as part of an effort to position itself closer to those we consider to be this institution's greatest asset: our customers.

Incorporated eight years ago, Moza has already achieved a level of brand awareness and recognition within the financial system and among the population at large that no one, in the early stages of this project, would have thought could be achieved in such a short time. A dream of Mozambicans for Mozambicans.

In an increasingly difficult national and international macroeconomic context, faced with growing competitiveness and aggressiveness in the market, Moza has continued to advance along the path of consolidation and growth in the Mozambican banking system, building a strong position founded on a set of principles and values that have characterized us from the start.

2015 was a year marked by atypical internal and external factors which threatened the continuity of Moza's growth but which Moza, with its natural perseverance and resilience, was able to overcome and turn to its advantage.

Implementation of the Strategic Plan approved by the shareholders strengthened Moza's strategic and commercial positioning, optimizing processes and developing distribution channels that will help grow the customer base, while maintaining a commitment to the development of the Mozambican financial system in accordance with international best practices in prudential and risk management and the fight against money laundering.

This year, Moza's mission, vision and values were reaffirmed in a new corporate image, one that positions the Bank closer to the wider population, recognizing the value that each customer, each individual brings to us, but also recognizing the duty to serve each and every customer in an exceptional way – because value lies in each of our customers.

Moza currently has 800 employees and 59 business units throughout the country, provides high quality services efficiently, has an internal organization which focuses attention on compliance with individual and group objectives and which is equipped with high quality technologies that allow Moza, despite being a young institution, to compete in price and quality with the best in the market.

In 2015, Moza continued to innovate, launching a series of initiatives to offer new financial solutions for customers (*Moza d'Agente, Crédito Já, Cartão Jovem*). It also strengthened and expanded its reach through a number of protocols signed with respected national and international institutions (European Investment Bank and the German cooperation agency GIZ), for which it earned national and international recognition, being named the "Most Innovative Bank of 2015" by the magazine *The Banker* and "Economic Standout Player of the Year" by the newspaper Notícias.

Because we aim to play an increasingly important role in our country's sustained development, 2015 was also marked by an active presence in the field of social responsibility. By supporting students, promoting financial literacy among the general population and sponsoring the arts and music, Moza aims to contribute to the development of Mozambique and its citizens.

The global, regional and national macroeconomic outlook for 2016 indicate that this will be a difficult year, with major challenges on various levels, including increased rivalry and competitiveness in the financial sector, while some economies will face external shocks, which they must overcome.

I would like to say word of deep and sincere gratitude to our customers and stakeholders in general for the trust they have placed in Moza, and to our employees for the high level of professionalism and dedication they have shown – in the conviction that the goals set for the current year can only be achieved on the basis of adherence to the highest ethical, technical and professional standards.
In 2016, Moza's employees will continue to ensure rigorous compliance with regulations and deliver the usual excellent treatment to Moza's customers, assuring them of full professional secrecy and the inviolability of their accounts and processes.

In name of the Board of Directors, I would like to express my appreciation and recognition to the members of the Executive Committee, especially its chairman, Dr. Ibraimo Ibraimo, for Moza's significant and remarkable growth.
The abilities of each person and the application of individual and collective knowledge, creativity and commitment have enabled Moza to grow in size and reputation, making it one of the top banks in Mozambique.

As chairman of Moza's Board of Directors, I would like to take this opportunity to reaffirm, in the name of Moza's shareholders, in particular Moçambique Capitais, SA and Novo Banco, SA, this institution's continuing commitment – ever since it was founded – to work, professionally and to the highest standards of quality and ethics, in the interests of those we exist to serve, namely, our customers: national and foreign enterprises, public and central government bodies, embassies, international cooperation partners and the economic players in general. To all, a big thank you!

Thank you!

At Moza, "O valor é teu!"

1.

Summary of Key Indicators

800

Employees

66%

Electronic cards growth (debit/credit)

3.516

Training Hours

31%

Business units growth

111%

Customers growth

40%

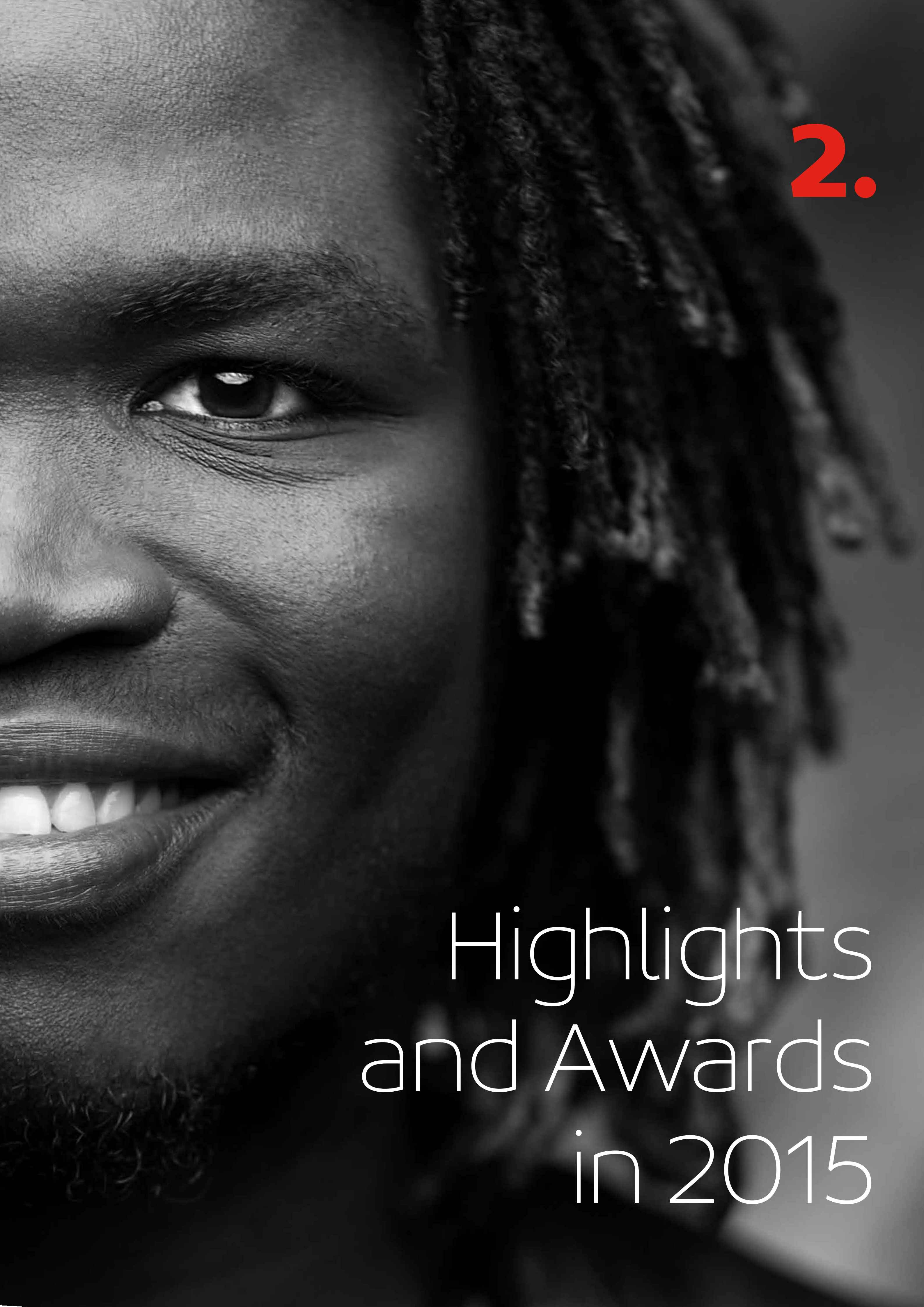
Business Volume Growth

1.1. Key Indicators

(In MZN thousands)

Description	2011	2012	2013	2014	2015	Change (%) 2015 - 2014
Total assets	3.324.195	8.689.027	14.820.074	23.100.379	31.368.621	35,79%
Loans to customers (net)[1]	1.825.243	4.968.362	8.248.869	13.649.852	17.937.497	31,41%
Deposits from customers	2.222.871	6.217.736	11.601.922	16.914.452	24.734.711	46,23%
Capital	825.000	1.250.000	1.250.000	1.880.000	2.129.192	13,25%
RESULTS/PROFITABILITY						
Profit before tax	31.423	(82.052)	36.670	179.352	90.678	-49,44%
Operating income	314.782	599.795	1.197.345	1.789.511	2.507.359	40,11%
Return on equity (ROE)	2,57%	-4,85%	1,67%	7,86%	3,46%	-4,40 pp
Return on assets (ROA)	0,73%	-0,78%	0,15%	0,66%	0,26%	-0,40 pp
MARKET SHARE						
Market share in loans to customers	1,83%	4,14%	5,36%	6,93%	7,52%	0,59 pp
Market share in deposits	1,63%	3,45%	5,46%	6,51%	7,68%	1,18 pp
Market share in assets	1,69%	3,78%	5,69%	7,47%	8,88%	1,41 pp
SOLVENCY – Ratio						
Solvency Ratio	35,52%	18,33%	11,03%	10,46%	9,95%	-0,51 pp
LIQUIDITY						
Loans to deposits ratio	84,4%	81,9%	73,1%	82,9%	74,6%	-8,28 pp
ASSET QUALITY						
Impairment on loans	51.206	122.438	229.781	368.832	514.602	40%
Impairment on loans/ Total overdue loans	61%	156%	83%	119%	123%	4,01 pp
Impairment on loans/ Loans to customers	2,73%	2,41%	2,71%	2,68%	2,84%	0,16 pp
PRODUCTIVITY / EFFICIENCY						
Operating expenses	254.000	531.070	870.210	1.234.928	1.738.017	41%
External supplies & services	126.287	248.989	400.736	613.308	851.022	39%
Staff costs	127.713	282.081	469.474	621.620	886.995	43%
Operating expenses/ Total assets (%)	7,64%	6,11%	5,87%	5,35%	5,54%	0,19 pp
Cost-to-income ratio[2]	80,69%	90,47%	75,42%	69,01%	69,32%	0,31 pp
External supplies & services/ Operating income	40,12%	41,51%	39,21%	34,74%	35,38%	0,64 pp
Staff costs/ Operating income	40,57%	47,03%	33,47%	34,27%	33,94%	-0,33 pp
BUSINESS INDICATORS						
No. of business units	12	32	36	45	59	31%
No. of ATMs	9	22	38	46	83	80%
No. of POS terminals	1	114	210	666	1.587	138%
No. of employees at end of period	143	325	437	636	800	26%
No. of customers	2.998	10.626	20.443	35.368	74.567	111%
No. of debit cards	1.118	5.104	9.461	31.078	52.833	70%
No. of credit cards	171	685	974	3.119	3.859	24%

[1] Gross loans net of impairment provisions.
[2] Cost-to-income ratio = Operating expenses/Operating income.



2.

Highlights and Awards in 2015

2.1. Highlights and Awards in 2015

January

> Moza and GIZ join forces to boost access to financial services

February

> Moza acts as lead arranger in Visabeira Moçambique Group public bond offering

> Launch of commercial action plan

March

> VISA award for Moza

> Implementation of SAP

April

> **Moza promotes Mozambican art and culture**
> Associação Kulungwana opened a group show entitled "COLECÇÃO CRESCENTE 2015", sponsored by Moza in line with its commitment to promoting Mozambican art and culture.

> Moza wins innovation award from *The Banker*

May

> **Moza joins in Labour Day celebrations for first time**
Moza took part in the traditional marches organised by trades unions up and down the country to mark International Workers' Day.

> **Moza wins Estrela Mercator trophy**

> **Moza shows its commitment to youth enterprise**
Moza and the newly-founded Mozambique Youth Chamber of Commerce and Industry (CCIJM), an NGO committed to promoting youth enterprise, signed a financial and cooperation agreement under which CCIJM members will be offered a range of Moza's financial products and services on advantageous terms.

> **Moza promotes female enterprise**
In order to help promote female enterprise, Moza sponsored Network Mulher, an event designed to offer women the chance to swap success stories, share their experiences, create partnerships, find subsidies and funding and above all to encourage them to press ahead with their ventures.

June

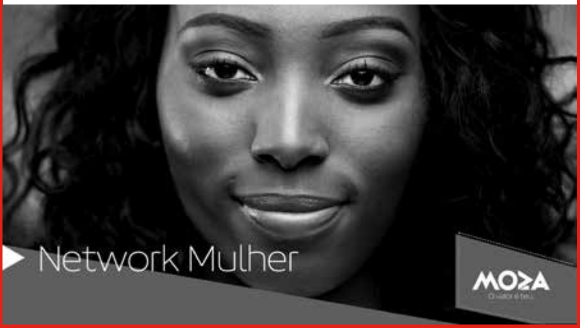
> **New Mobile Phone Banking Platform launched**

> **Moza launches product targeted at children**
In June, Moza launched the *Conta Mozinhas* and *Conta Cool* accounts, designed to encourage children to start saving.

July

> **Moza announces MZN 200 million credit facility for women entrepreneurs**
Moza's CEO, Ibraimo Ibraimo, announced a credit facility of around MZN 200 million to finance women's business ventures.

The credit facility provided by Moza joins others the Bank already offers to SMEs to support their investment projects, making a real contribution to job creation and enabling entrepreneurs to accumulate capital, thereby furthering the country's socio-economic development.



August

> **Moza creates MZN 400 million credit facility to finance young people's education and enterprise ventures**

Moza launched two new credit facilities – *Jovem Activo* and *Empreendedor Activo* – with a combined value of MZN 400 million, aimed exclusively at Mozambican young people.

The first of these is intended to finance the cost of higher education studies (including MAs and post-graduate qualifications) or technical/vocational training course, with the possibility of a grace period on the principal for the duration of the studies. The *Empreendedor Activo* facility is designed to help young people set up their own business ventures, supporting their cash flow and investment needs.

September

> **Global Credit Rating Co. (GCR) points to stable outlook for Moza**

GCR

October

> **Moza authorizes the first banking agent in Mozambique**

> **With its new Internet Banking service, Moza adds value to companies**

In order to achieve continuous improvements in the quality of its products and services, adding more value, Moza has redesigned its internet banking services for business clients, making the e-banking experience even better.

The website has a completely new look, in line with the Bank's new visual image, and is now more secure, interactive, more intuitive and easier to use, as well as offering exclusive functions.

November

> **European Investment Bank doubles Moza's credit facility**
> The European Investment Bank doubled its credit facility for Moza, providing a further EUR 10 million, equivalent to more than MZN 470 million, to finance and develop SMEs, building further on the partnership first established with Moza in 2013.

> **Moza signs partnership agreement with AJECOM**
> Moza signed a Memorandum of Understanding with AJECOM (Mozambican Business Journalists' Association) designed to promote financial literacy, especially amongst journalists.
>
> Moza has undertaken to provide AJECOM with regular information on financial products and services for subsequent publication and to provide support for media professionals wishing to train and specialize in reporting on business, legal and financial affairs and other issues of interest for the financial sector.

> **Corporate Rebranding**
> Moza refreshed its look in order to focus on the values of responsibility, competence and professionalism associated with our institution.

December

> **Moza and BMM join forces to provide credit facility for agricultural operators**

Moza signed a cooperation agreement with the Mozambique Commodities Exchange (BMM - Bolsa de Mercadorias de Moçambique), under which it undertakes to provide credit for existing and potential BMM operators trading in agricultural products.

Moza has agreed to offer agricultural operators an advance, on advantageous terms, of up to 70% of the value of the produce they have deposited in the BMM's silos or stores or those of its licensees, which will serve as collateral for the loan.

> **Moza standout player in economy in 2015**

The *"Notícias"* newspaper named Moza as the standout player in the Mozambican economy.

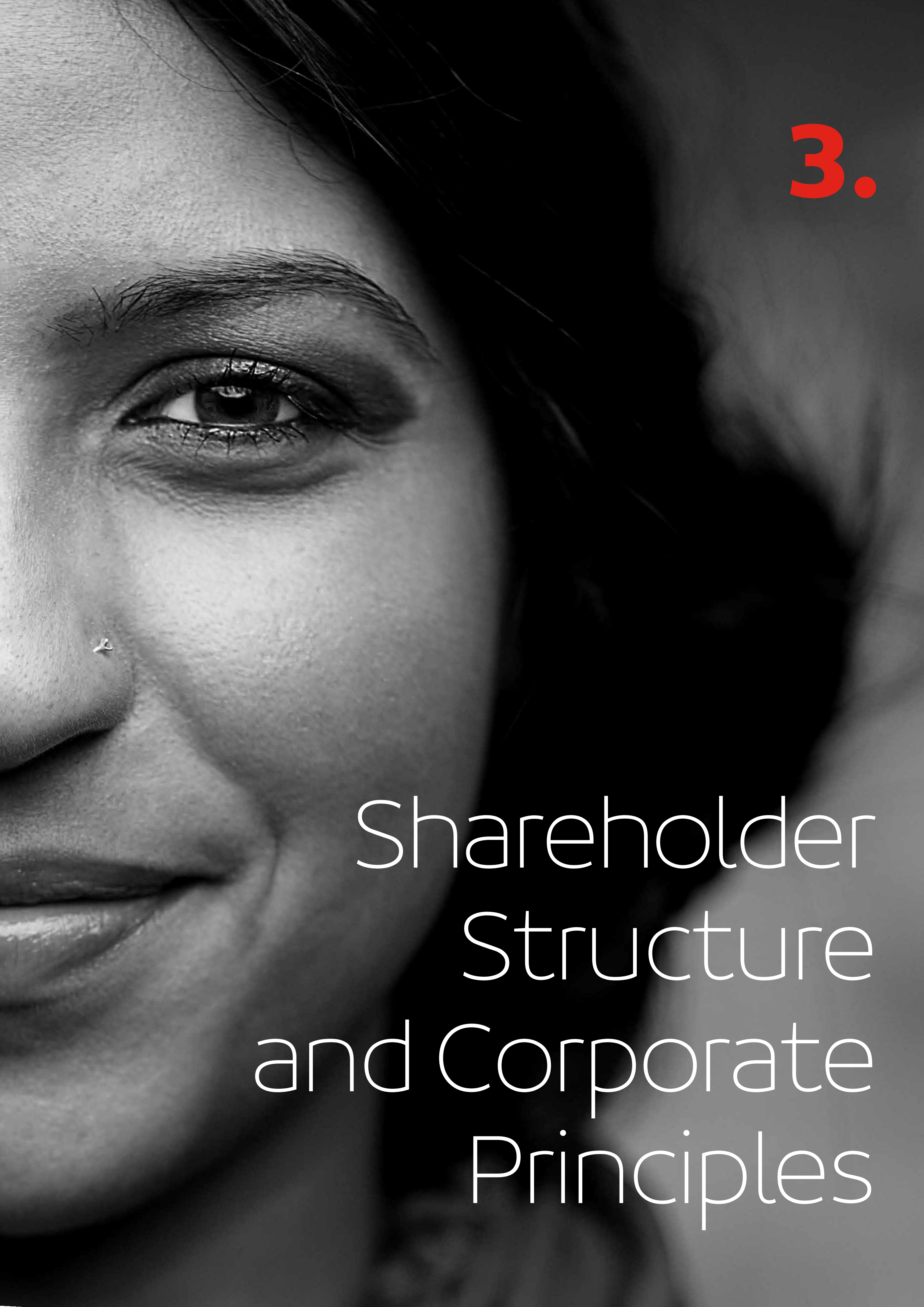
The selection was based on the fact that even in an economy battling with external and internal factors, the Bank showed a capacity for "local innovation" by setting up the *Banco dos Merkados*.

This is a pioneering initiative which seeks to explore different ways of reaching financially excluded and informal segments through a network of small outlets, housed in practical buildings in convenient locations, known as *"O Banco de Merkado"* (The Market Bank).

> **Inclusion of Rede Ponto24 in the SIMO network (unified national network)**

"Sociedade Interbancária de Moçambique" (SIMO) has started to implement its technological programme to unify the electronic systems used by commercial banks and microfinance and microcredit organisations, so as to cut the costs of financial transactions.

Moza is once again proud to be amongst the first to sign up for the project, which aims to bring banking services to the entire economy and ensure complete coverage of customers at more affordable prices.



3. Shareholder Structure and Corporate Principles

3.1. Moza Banco

Moza Banco ("Moza" or "The Bank") is a commercial bank that has been operating in the Mozambican market since June 2008. Since it was founded, Moza has steadily built up its presence and brand, in line with the gradual expansion of its Branch network, with a continued focus on the needs of its customers.

After its shareholders approved the 2014-2018 Strategic Plan at the end of 2013, Moza started to gradually transform and strengthen its business model: from being an institution that served mainly the corporate and private banking segments, it shifted its focus and strategy to the retail banking and mass market segments, moving to position itself as a universal bank.

2015 marks a milestone in the Bank's history, as the year when Moza changed its corporate image and logo with the clear aim of orienting the Bank towards the Mozambican market as a Universal Bank. Moza's new image is intended to reflect the strengthening of the values of responsibility, competency, professionalism and customer orientation that are the unmistakeable hallmark of the institution's business and corporate culture.

Throughout its scant eight years of existence, Moza has shown robust levels of growth and consolidation of its activity. At year-end 2015, it ranked fourth among Mozambican banks, with a market share of 8.9% in assets and 7.6% in business volume, once again displaying significant improvements in all the usual indicators of performance, brand awareness and soundness.

Moza's new image is intended to reflect the strengthening of the values of responsibility, competency, professionalism and customer orientation that are the unmistakeable hallmark of the institution's business and corporate culture.

3.2. Main Historical Milestones

2010

- Named as the fastest-growing financial institution in terms of business volume in KPMG's report on the "100 largest companies in Mozambique";

2011

- Acquisition of 25.1% of Moza's share capital by what is now Novo Banco África, SGPS (formerly BES África, SGPS);

2012

- Recognized by the well known magazine *The Banker* as the fifth fastest-growing bank in Africa in terms of assets;

2013

- In June 2013, Novo Banco África, SGPS acquired 23.9% of Moza's share capital, bringing its total shareholding to 49%;
- On that same date, Moçambique Capitais increased its stake in Moza to 51%;
- Moza reached national coverage, with a total of 36 business units and more than 20.000 customers, covering all of Mozambique's provincial capitals;

2014

- Start of implementation of the 2014-2018 Strategic Plan;
- The prestigious financial publication *Global Banking and Finance Review* named Moza as the fastest-growing commercial bank operating in Mozambique in 2014;
- Start of implementation of the "Banco dos Merkados" project, a pioneering initiative in the Mozambican market, aimed at making banking and financial services available in a number of informal markets;

2015

- The newspaper *Notícias* (the paper with the largest circulation at national level) named Moza as "Economic Standout Player of the Year" for 2014;
- Moza appointed its first banking agent in the country, once again innovating and leading the process of financial inclusion and banking outreach to the unbanked population of Mozambique;
- The international rating agency Global Credit Rating rated Moza's asset quality and credit capacity for the first time, assigning a short-term rating of A3 and a medium-/ long-term rating of BBB.

3.3. Moza's Statement of Corporate Governance Principles

Moza is an institution that bases its action on strong and clearly established principles, which are the pillars of all its actions in the market in which it operates.

Adherence to Moza's corporate principles and scrupulous compliance with the guidelines reflected in them is mandatory in all the activities in which Moza is engaged. The requirement that these principles be fully known and complied with is therefore established clearly and objectively from the very outset; and compliance is monitored on a regular basis by the bodies authorized for that purpose, most notably the Audit Committee, the Internal Audit Department, the Compliance Department and the Communication and Quality Department.

Mission

Moza's core objective is to efficiently provide high quality financial products and services to its customers.
Its mission is to align strategies aimed at increasing value for customers by offering products and services that meet their needs;

Vision

To be a reference bank in Mozambique, providing high quality financial services to the Retail Banking, Private Banking, Corporate and Institutional segments in accordance with the criteria of effectiveness, efficiency and profitability established by its shareholders and implemented by its management.

Values

Our values are founded in Knowledge, Rigour, Transparency, Customer Orientation, Integrity, Ethics, Innovation and an Innovative Attitude.

3.4. Shareholder Structure

At 31 December 2015, Moza's share capital amounted to MZN 2.129.192.000, represented by 85.168 shares, full subscribed by the following shareholders:

Shareholders	Percent of share capital	Total share capital	Number of shares
Moçambique Capitais, S.A.	50,999%	1.085.866.628	43.435
NB ÁFRICA, SGPS, S.A.	49,000%	1.043.304.080	41.732
Dr. António Matos	0,001%	21.292	1
Total	100,000%	2.129.192.000	85.168

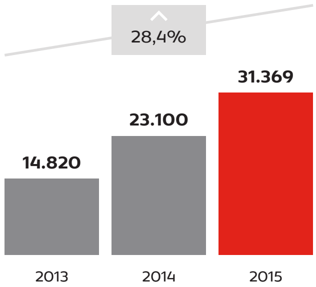
It should be noted that during 2015 Moza's shareholders increased share capital by MZN 249.192.000 (2014: MZN 630.000.000), subscribed and fully paid-up through the contribution of new funds. The capital increase did not lead to any change in the Bank's shareholder structure.

In the last two years Moza's shareholders invested nearly MZN 879 million to support business growth and modernize the Bank's technical and operational infrastructure, in line with the rapid expansion of the Branch network and investment in electronic payment and alternative channels.

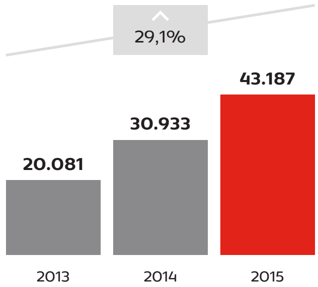
Despite its rapid, continuous transformation, Moza has proven its financial soundness and resilience to external shocks, with solvency levels, expressed in terms of the capital ratio, above the levels required by the entities that regulate banks operating in Mozambique.

3.5. Activity, Results, Liquidity and Soundness

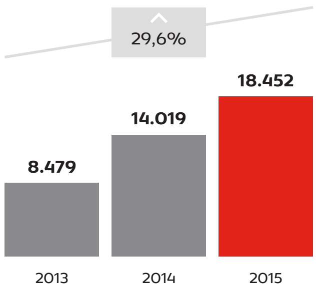
Net Assets



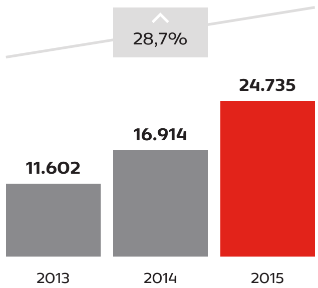
Business Volume



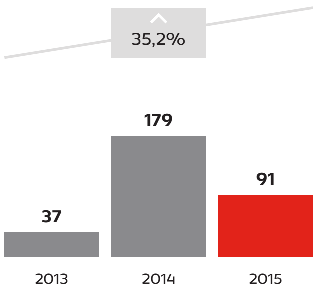
Gross loans



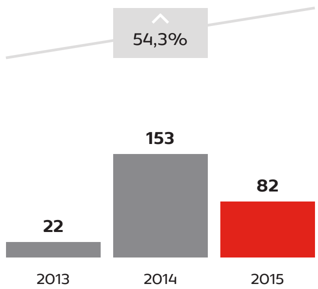
Deposits from customers



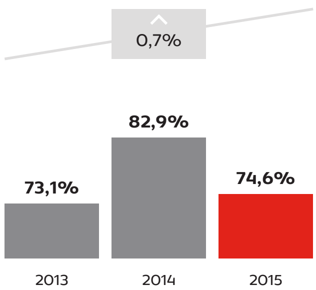
Profit before tax



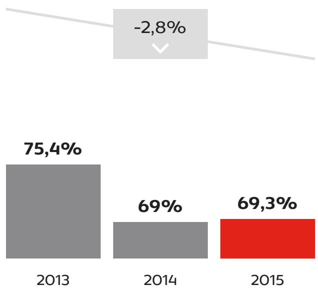
Net Income



Loan-to-Deposit ratio



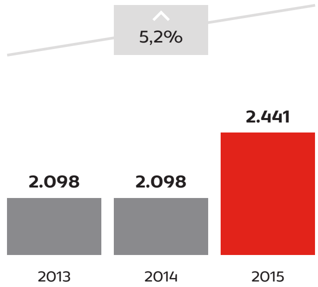
Cost-to-Income ratio



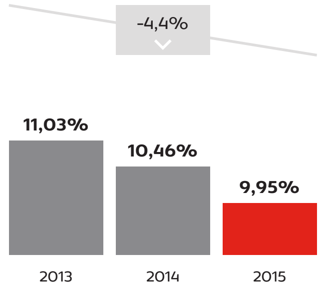
Compound annual growth rate (CAGR).

Cost-to-income ratio (general administrative expenses and staff costs as a percentage of operating income).

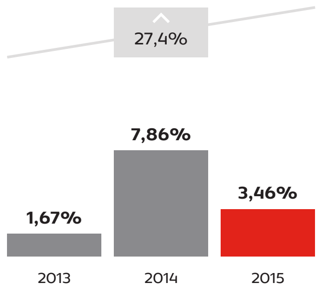
Capital



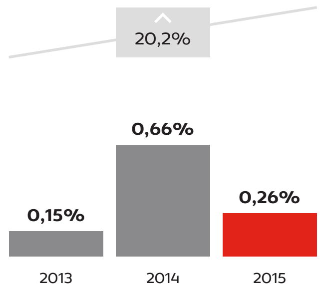
Solvency ratio



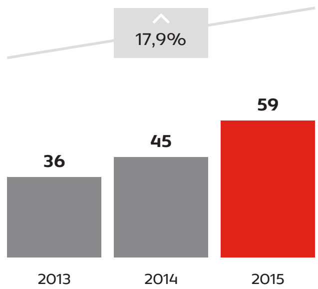
Return on Equity (ROE)



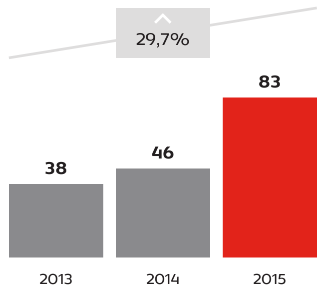
Return on Assets (ROA)



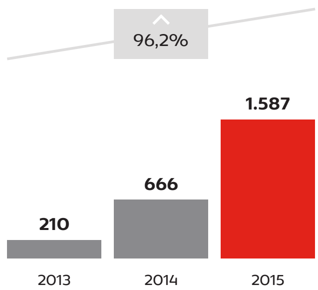
No. of Business Units



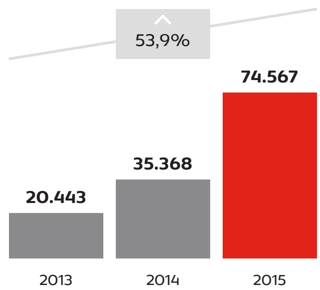
No. of ATMs



No. of POS Terminals



No. of Customers



Compound annual growth rate (CAGR).

4.

Corporate Bodies and Governance Model

4.1. Corporate and Management Bodies and Committees

The Bank's corporate bodies are: the General Meeting, the Supervisory Board, the Board of Directors, the Executive Committee and the General Secretariat of the Company. Moza's corporate bodies are elected by the shareholders in General Meeting for a term of three years.

Moza's current corporate bodies took possession in March 2014.

Board of the General Meeting

Chairman	Castigo José Correia Langa (01)
Secretary	Márcia Valigy e Silva (02)

Supervisory Board

Chairman	Luís Miguel Rosário Baptista (03)
Vice-Chairman	Edgar Danilo Estevão Balói (04)
Member	Paula Ferreira (05)
Alternate member	Venâncio Chirrime (06)

Board of Directors

Chairman	Prakashchandra Ratilal (07)
Members	Ibraimo Abdul Carimo Issufo Ibraimo (08)
	António Augusto Figueiredo D' Almeida Matos (09)
	Luís Magaço Júnior (10)
	Paulo Dambusse Marques Ratilal (11)
	Rui Manuel Fernandes Pires Guerra (12)
	João Luís Fernandes Jorge (13)
	César Augusto Martins Ferreira Gomes (14)

Executive Committee

Chairman	Ibraimo Abdul Carimo Issufo Ibraimo (08)
Executive Directors	Luís Magaço Júnior (10)
	João Luís Fernandes Jorge (13)
	César Augusto Martins Ferreira Gomes (14)

Secretary General of the Company

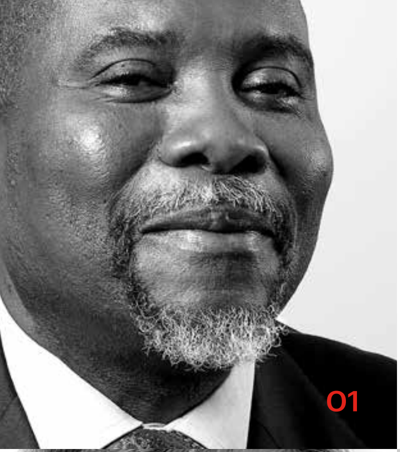
Márcia Valigy e Silva (02)

Audit Committee

Yasmin Patel (15)

Remuneration Committee

Maria Estrela Nobre Pereira Polónia (16)
Francisco Vieira da Cruz (17)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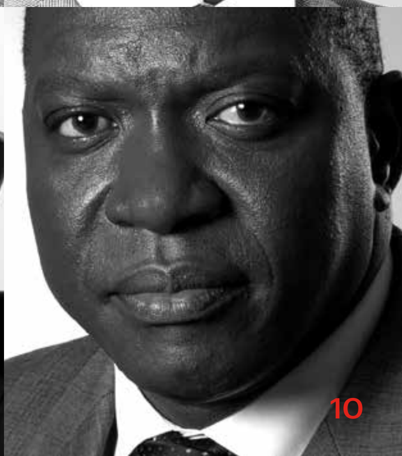
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4.2. Governance Model

Moza has adopted a governance model based on the Anglo-US model, in which responsibility for overseeing the company is assigned to the Board of Directors, which delegates day-to-day management to the Executive Committee, with the Supervisory Board exercising an audit function, in coordination with the Audit Committee.

Board of Directors

Under the Bank's bylaws, the Board of Directors meets at least once a quarter and whenever convened by its chairman. In 2015 the Board of Directors met seven times to assess and discuss a wide range of matters submitted by Moza's Executive Committee, covering various areas of intervention, most notably: assessment of the institution's economic and financial performance, approval of the annual budget, monitoring of implementation of the transformation plan and other strategic matters.

The resignation of Eng. Tiago Valença Pinto in April 2015 led to a change in the composition of the Board of Directors, with Dr. César Ferreira being co-opted onto the Board that same month.

Audit Committee

To ensure that an effective control mechanism is in place, Moza's Board of Directors submitted a proposal for the establishment of an Audit Committee, which was approved by the shareholders at the General Meeting held on 19 March 2014. The Audit Committee's task is to support the Board of Directors in supervising and monitoring compliance with the objectives set for the areas of compliance, risk and audit and to verify compliance with applicable laws, standards and regulations.

The Audit Committee regularly reports the conclusions and recommendations arising from its work to the Board of Directors.

Remuneration Committee

The Remuneration Committee plays a consultative role in matters of remuneration policy applied to Moza's corporate bodies. The remuneration policy for members of the corporate bodies is reviewed annually.

Executive Committee

The Executive Committee is the body responsible for the day-to-day management and conduct of Moza's activities and represents Moza to all stakeholders. Its role is to continuously oversee business performance, especially through analysis and assessment of key indicators, and to monitor the execution of structural projects, actions and measures currently in progress and the results obtained in each initiative.

Subordinated to the Executive Committee, led by its chairman, Moza's organizational structure is as follows.

In order to support the Bank's management efficiently, effectively and productively, multidisciplinary work groups, referred to internally as committees, have been formed.

Management Board: a consultative body whose main function is to support the Executive Committee in assessing the performance of Moza's activities, ensuring compliance with set objectives and proposing appropriate strategic measures for achieving them. This committee comprises the whole of the Bank's senior management, promoting far-reaching, participatory management.

Assets and Liabilities Committee: A consultative body of the Executive Committee for the execution of the Bank's chosen financial policy through the integrated management of assets and liabilities. Its job is to ensure that actions are implemented in accordance with standards and procedures and that market risk (foreign exchange, interest rate and repricing risk) and liquidity risk are managed effectively. It helps formulate pricing policy through timely assessment of national and international macroeconomic developments, in strict coordination with the Research Unit.

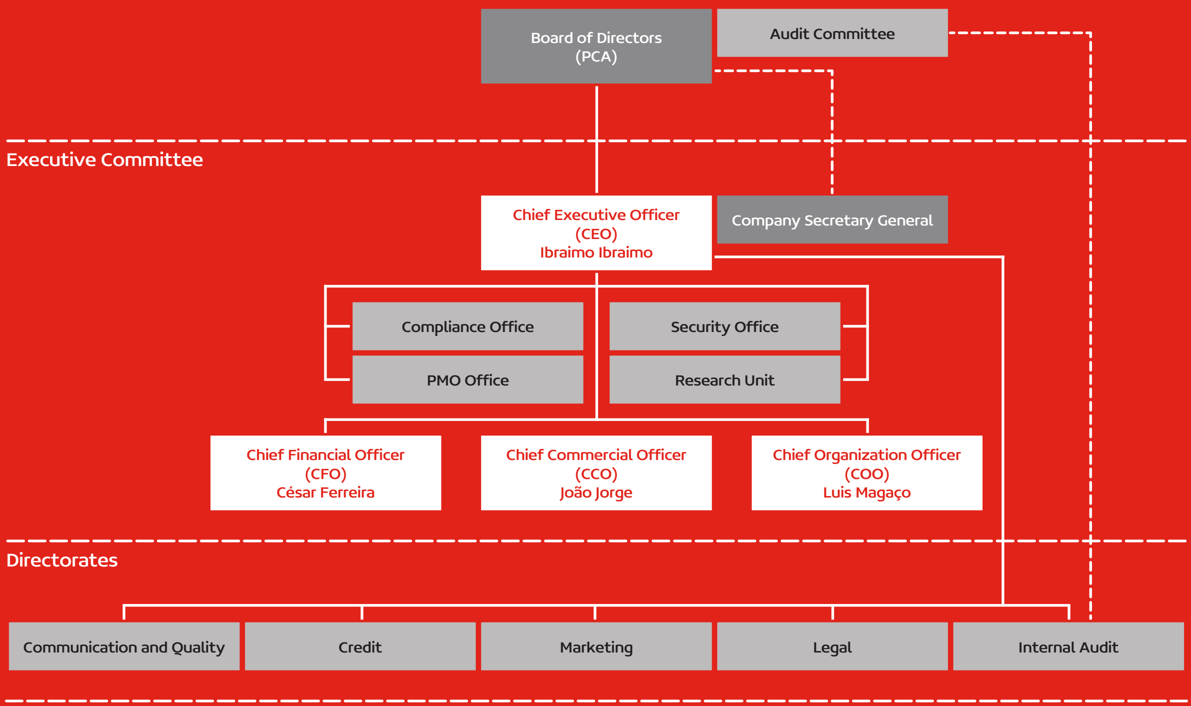
Risk Committee: A consultative body whose main function is to support the Executive Committee in monitoring, assessing and shaping the Bank's integrated risk profile. Its task is to propose policies, processes and methods for assessing, managing and controlling the main types of risk involved in the Bank's activity, including both financial and non-financial risks.

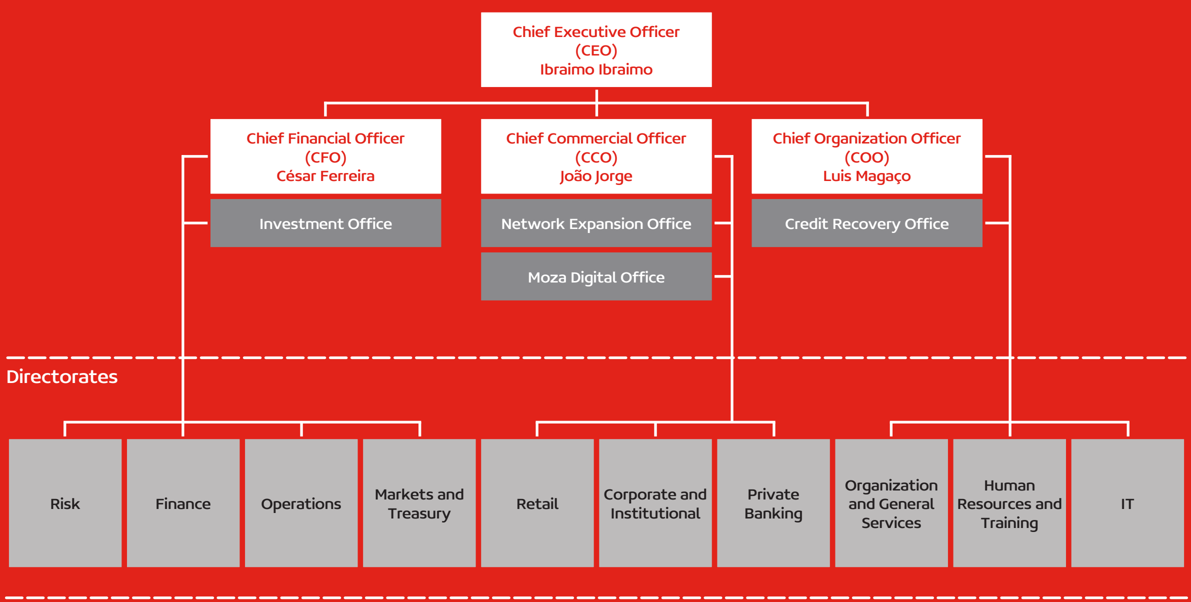
Structural Projects Committee: A consultative body that provides support for the assessment, monitoring and oversight of the Bank's structural, cross-organizational projects, including requests for developments. Its task is to make proposals to the Bank's governing bodies regarding the prioritization of activities and the necessary strategic decisions.

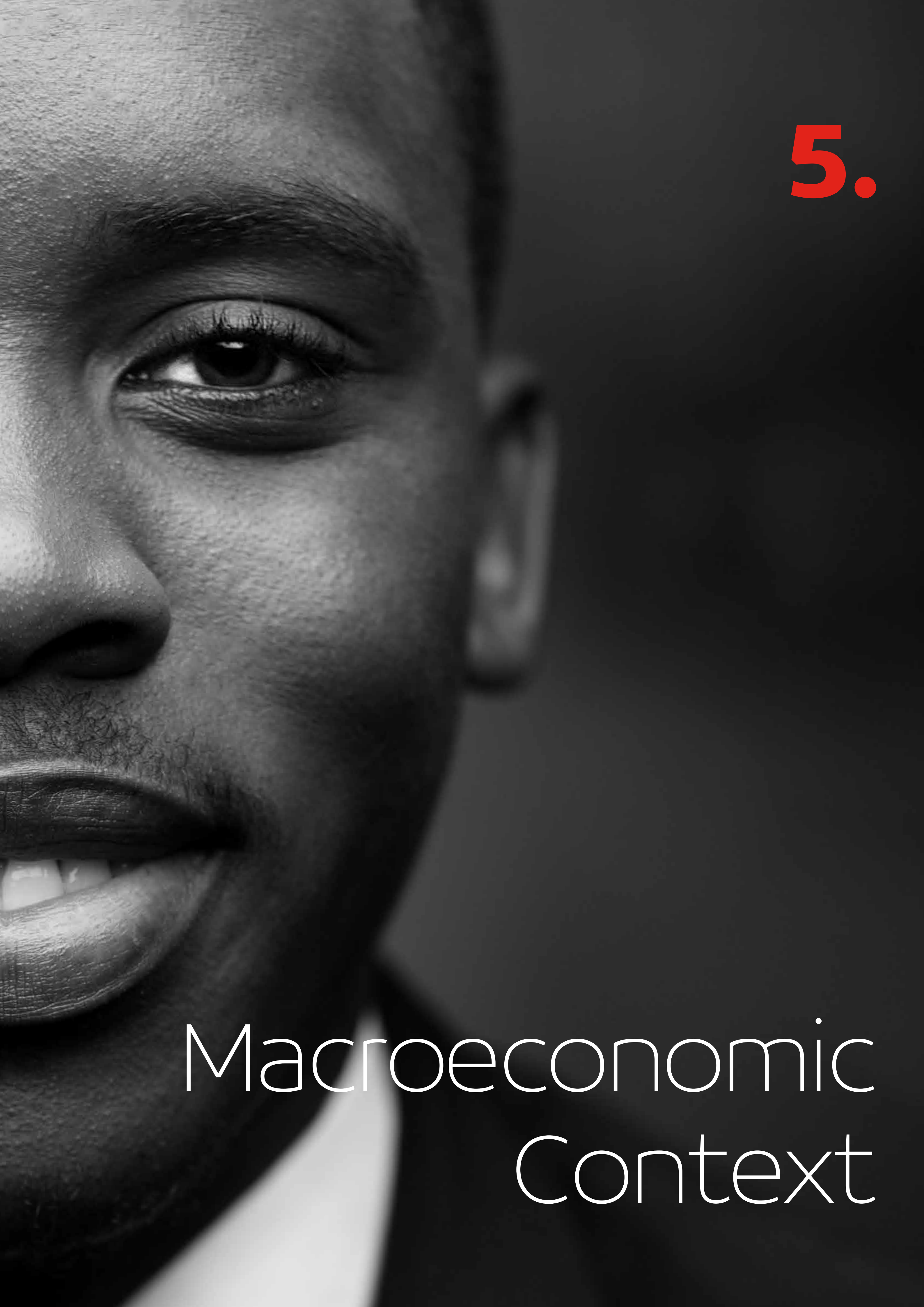
Business Committee: A consultative body of the Executive Committee whose role is to monitor and stimulate the commercial activity carried on by the various segments in which the Bank operates (Retail, Private Banking, Corporate and Institutional). Its task is to propose business policies and strategies to ensure that objectives are met.

PMO Committee: A consultative body of the Executive Committee whose role is to monitor the execution of the Strategic Plan approved by the shareholders. Its task is to analyze and debate critical issues associated with the implementation of the Strategic Plan and propose measures to ensure the required levels of execution.

Functional Organization Chart of the Executive Committee







5. Macroeconomic Context

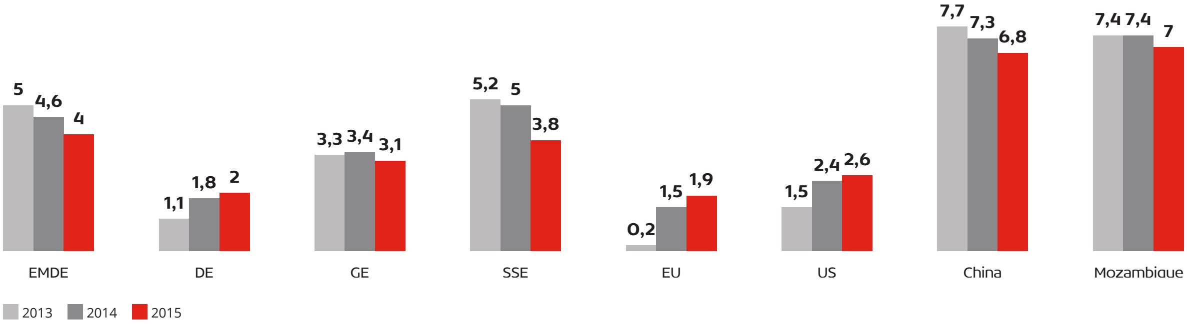
5.1. International Economy

Economic growth

The world economy continued its sluggish growth in 2015, with growth dropping to 3.1% from 3.4% in 2014, mainly as a result of the slowdown in the Chinese economy, which grew at 6.8%, down 0.5% compared to 2014.

The slower growth of the Chinese economy, which accounted for 17.2% of the global economy, led to a fall in aggregate demand at world level and a consequent decline in world growth compared to 2014.

Economic growth (%)



Source: International Monetary Fund – World Economic Outlook, January 2016. Note: EMDE = emerging market and developing economies; DE = developed economies; GE = global economy; SSE = sub-Saharan economies; EU = European Union; US = United States.

Overall, with the exception of the developed economies and the United States (US) in particular, the world's economies grew more slowly in 2015 when compared with 2014. Although modest growth rates are registered, the developed economies and the European Union (EU) seem to be slowly recovering from the growth crisis they have been immersed in since 2008, while the US continues to grow faster than the other developed economies.

The emerging market and developing economies (EMDE) in general, like the economies of sub-Saharan Africa, experienced a decrease in their growth rates. Despite representing 70%[1] of the global economy and growing at relatively high rates, the emerging market and developing economies experienced, for the fifth year running, a clear deceleration in their growth. This fact is objectively related to the sharp fall in commodity prices, which has significantly affected the performance of the economies most dependent on exports of raw and refined commodities.

[1] See International Monetary Fund – *World Economic Outlook*, January 2016.

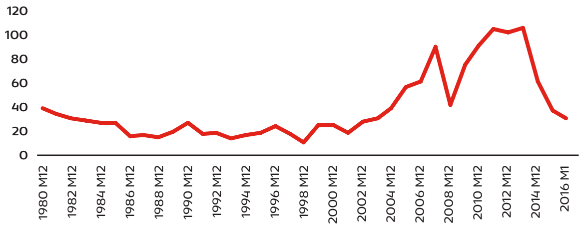
Prices of the main commodities

The slowdown in China and hence in the global economy severely affected the prices of the main commodities, in particular the prices of crude oil and natural gas. In 2015, the prices of the main commodities fell almost across-the-board.

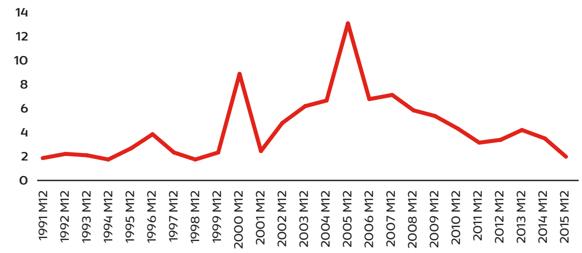
Oil and natural gas prices declined in response to a decrease in world aggregate demand, while production remained high. The prices of these two commodities are strongly correlated, showing that the international markets perceive them as interrelated and increasingly as substitute products.

For the great majority of the world's economies, which are oil and gas importers, the fall in the prices of these commodities has had a beneficial effect. For the producing and exporting economies, in contrast, it has created budget difficulties, as their revenue has fallen sharply; and instead of cutting production to halt the fall in prices, the oil producing and exporting countries have tried to bolster revenue by increasing production.

Crude Oil USD/BBL



Natural Gas USD/MBTU



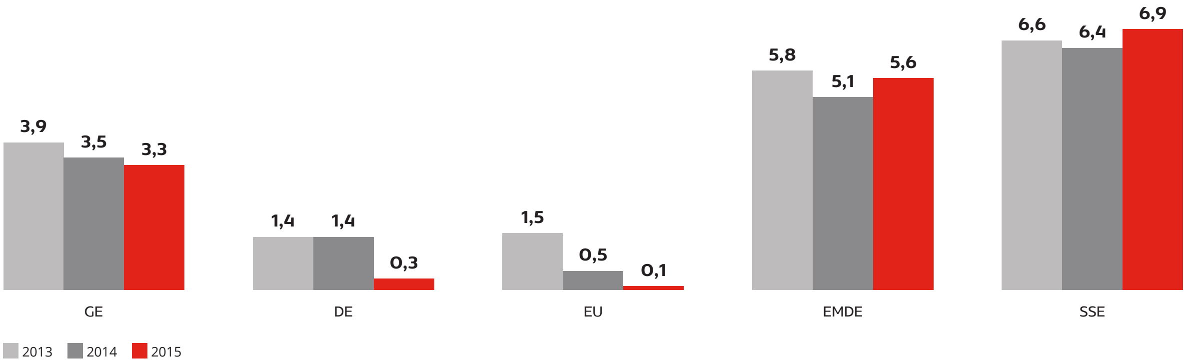
Source: International Monetary Fund – *World Economic Outlook*, January 2016.

Inflation

Inflation levels remain relatively low in the overwhelming majority of world economies. In the developed economies and the EU, inflation has fallen to worrying levels, bordering on the threshold of deflation. Once again, this trend reflects the slowdown in China and the global economy as a whole, as well as the significant fall in the prices of the main commodities.

Sub-Saharan Africa continued to show the highest levels of inflation compared with other regions; and yet inflation levels in this region are still low and fairly stable and are consistent with the general trends among emerging and developing economies.

Inflation (%)



Source: International Monetary Fund – *World Economic Outlook*, January 2016.
Note: EMDE = emerging market and developing economies; DE = developed economies; GE = global economy; SSE = sub-Saharan economies; EU = European Union.

Main international stock markets

The stock market indices of the main international financial markets fell in 2015, reflecting the market's uncertainty regarding the medium and long-term economic outlook. The deceleration in the world economy in general and the Chinese economy in particular created strong pressures on company performance, which are reflected in reported earnings and thus also in the performance of the main stock market indices.

The Eurozone and Japanese stock markets continued to deliver a positive performance between 2012 and 2015, despite markedly slow rates of growth in these economies. The South African stock market also performed well, despite the economy's strong dependence on the prices of the main commodities.

Country	Stock market index	Dec-12	Dec-13	Dec-14	Dec-15	Y-o-y change	
						2014	2015
USA	S&P 500	1.426	1.849	2.059	2.044	11,35%	-0,72%
	NASDAQ 100	2.996	4.162	4.736	4.593	13,79%	-3,02%
UK	FTSE 100	5.925	6.731	6.566	6.242	-2,45%	-4,93%
Eurozone	Euro Stoxx 50	2.317	2.636	3.146	3.267	19,36%	3,83%
Japan	NiKKEI 225	10.421	16.183	17.451	19.033	7,83%	9,07%
Brazil	BOVESPA	61.066	52.507	50.007	18.134	-4,76%	-63,74%
South Africa	JSE Africa	39.096	46.290	49.770	50.694	7,52%	1,86%

Source: Bloomberg; Units: USD

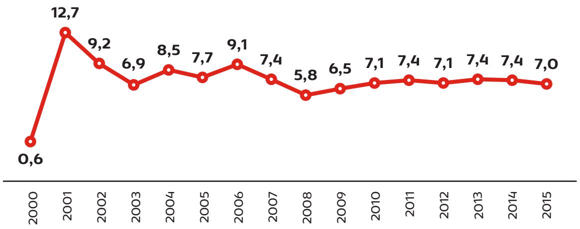
5.2. National Economy

Economic growth

The Mozambican economy continues to grow at a rapid pace, averaging 7% over the last five years, outperforming the other economies of the Southern Africa region.

The growth of the Mozambican economy in 2015 continued to be strongly influenced by the extractive industry, construction and financial services, where even stronger growth was expected in view of the continued high levels of foreign direct investment, especially in the extractive industry, with the start-up of projects in the natural gas sector. Growth was dampened, however, by continued domestic political instability and the sharp fall in commodity prices in international markets.

GDP Growth – Mozambique



Source: International Monetary Fund – *World Economic Outlook*, January 2016; INE-National Statistics Institute.

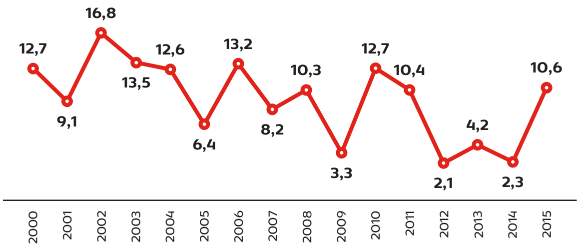
Inflation

For the first time since 2011, year-on-year inflation in Mozambique reached double digits, specifically 10.55%, up nearly +8.62 pp compared to 2014 and well above the 5-6% target set by the Government. Average annual inflation reached 3.55%, up 0.99 pp on 2014.

The inflationary pressure observed in 2015 was driven mainly by the sharp depreciation of the Metical, especially against the US Dollar (USD), and the budget restrictions, which led to an increase in the subsidies granted on various goods and services in Mozambique (which had not been updated for several years), particularly bread (29%), piped water (1.6%) and electricity (7.6%).

Food and non-alcoholic beverages was the category that contributed most to general inflation, accounting for 7.87 pp of the total change in prices in 2015. The contribution was most pronounced in December, due to the price speculation that is typical of the holiday season.

Annual Inflation (%)



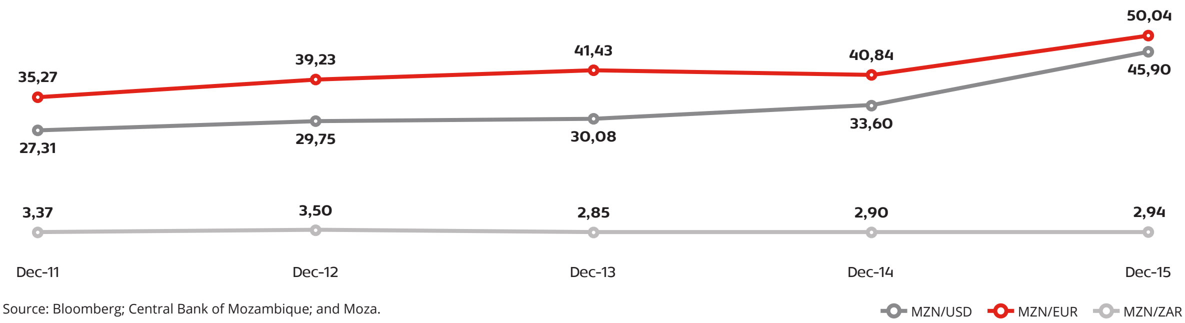
Source: International Monetary Fund – *World Economic Outlook*, January 2016; INE-National Statistics Institute.

Exchange rate

The Metical depreciated sharply in 2015. In the period from December 2014 to December 2015, the nominal depreciation of the main exchange rates was as follows: (i) MZN/EUR: 22.5%; (ii) MZN/USD: 36.6%; and (iii) MZN/ZAR: 1.4%.

The sharp depreciation of the Metical in 2015 reached a peak at the end of November, when the exchange rate against the US Dollar, Euro and Rand reached 55.91, 59.15 and 3.87, respectively.

MZN exchange rate



Source: Bloomberg; Central Bank of Mozambique; and Moza.

The depreciation of the metical against the US dollar was driven mainly by the strengthening of the dollar in international markets, the decrease in inflows of foreign exchange into Mozambique because of the fall in the prices of the commodities that Mozambique exports, the decline in inflows of foreign direct investment and the reduced inflows of foreign aid. Ultimately, the sharp depreciation of the metical resulted in an increase in the cost of foreign debt service. This, combined with the factors mentioned earlier, put pressure on the country's net international reserves, thus limiting the central bank's ability to intervene in the foreign exchange market to try to stabilize the currency.

If the rate of depreciation against the South African Rand was slower, it was simply because the South Africa Rand has also depreciated against the Euro and the US Dollar, as a result of the increased risk aversion that penalized most of the emerging markets.

The underlying causes of the depreciation of the Metical are not only external but also internal, in particular the country's budget balance.

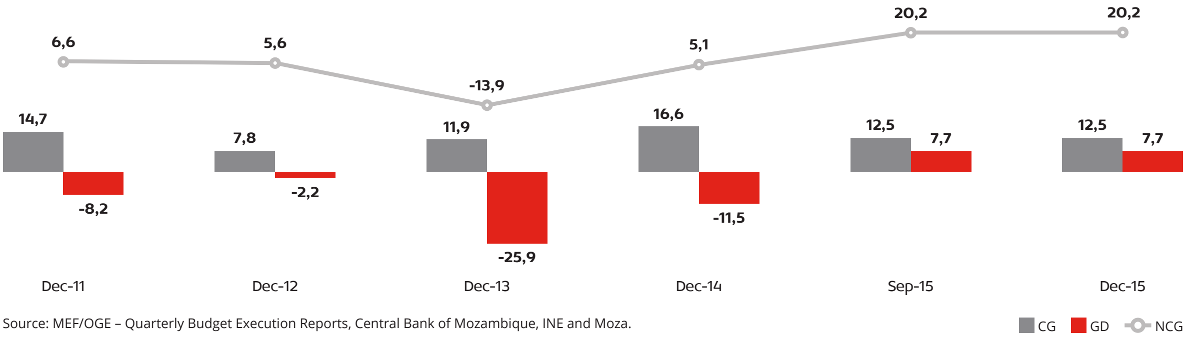
Indicator	Dec-14	Dec-15
Foreign direct investment (USDm)	3.315	2.883
Donations (MZNm)	16.664	13.889
Export revenue (USDm)	3.927	3.557
International reserves (USDm)	2.883	1.997
Months of imports	4	3

Source: International Monetary Fund – *World Economic Outlook*, January 2016; Central Bank of Mozambique

Budget policy

The state budget for 2015 projected total revenue of MZN 160.708 million, total expenditure of MZN 226.425 million and a budget deficit of MZN (65.717) million, before donations. Data published by the Central Bank of Mozambique for the third quarter indicate revenue of MZN 110.440 million, spending of MZN 154.047 million and a deficit in the order of MZN (43.607) million. For the same period of 2014, revenue was MZN 110.440 million, expenditure MZN 141.196 million and the budget balance MZN 31.220 million.

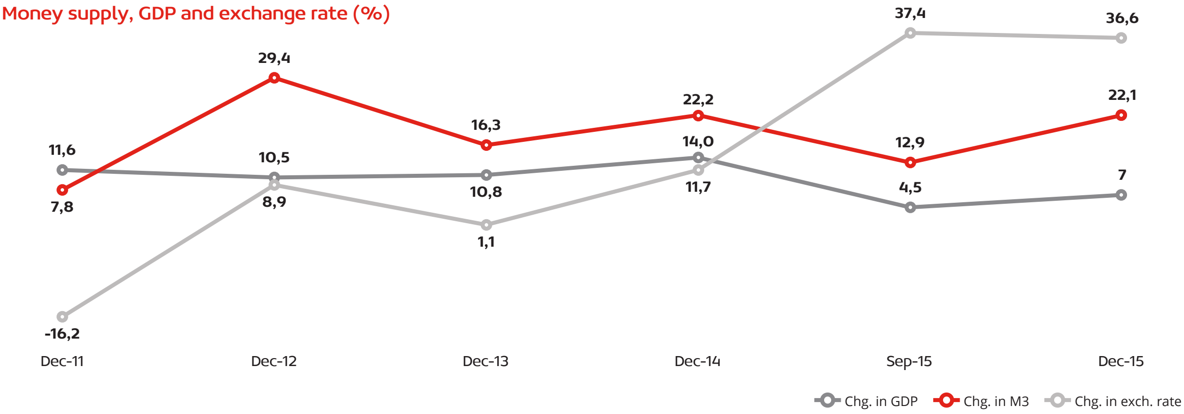
Net Claims on Goverment



Source: MEF/OGE – Quarterly Budget Execution Reports, Central Bank of Mozambique, INE and Moza.

Higher budget expenditure put additional pressure on the demand for foreign currency, as a large part of the Government's investments and expenditures were for imported goods and services, while export revenue was eroded by the fall in the prices of the main commodities traded.

Money supply, GDP and exchange rate (%)



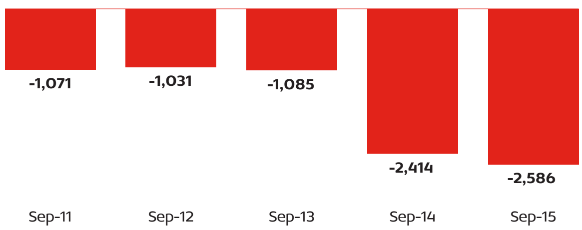
Source: MEF/OGE – Quarterly Budget Execution Reports , Central Bank of Mozambique, INE and Moza.

In the year to September 2015 the main source of funding of the public deficit was external borrowing, which totalled MZN 23.264 million, followed by donations, totalling MZN 13.889 million, and domestic financing, totalling MZN 11.302 million. By December 2015 net domestic financing is likely to have expanded to more than MZN 23.000 million, as in the last quarter of the year the Treasury used MZN 15.075 million of Treasury bills, which was not the case in 2014.

Current account

In September 2015, the current account of Mozambique's balance of payments shows a deficit of USD 2.6 billion. In September 2014 the current account deficit was nearly USD 2.4 billion. Between September 2011 and September 2013, the deficit was in the order of USD 1 billion. The increase of nearly USD 1.5 billion in the current account deficit to the levels recorded in September 2014 and 2015 is mainly the result of inflows of foreign investment and the sharp increase in government spending, which caused imports to increase faster than exports.

Current Account of the BOP – USD million



Source: Central Bank of Mozambique

Financial Sector

In December 2015, the Central Bank of Mozambique's Monetary Policy Committee raised the policy rates: the Permanent Liquidity-Providing Facility (FPC) rate to 9.75% and the Permanent Deposit Facility (FPD) rate to 3.75%. The mandatory reserves rate was held at 10.5%, having already been raised from 8% at the end of 2014.

The interest rates of the Permanent Liquidity-Providing (FPC) and Permanent Deposit Facilities (FPD) and mandatory reserves at December 2015 are at their highest level since the end of 2012. The rate hikes in 2015 are part of the Central Bank of Mozambique's measures to control the increase in inflation that started towards the end of the year.

Financial indicators	Dec-12	Dec-13	Dec-14	Jan-15	Oct-15	Nov-15	Dec-15	Change	
								Dec-14	Dec-15
Permanent Liquidity-Providing Facility (FPC)	9,50%	8,25%	8,25%	7,50%	7,75%	8,25%	9,75%	0,00 pp	+1,50 pp
Permanent Liquidity-Absorbing Facility (FPD)	2,25%	1,50%	1,50%	1,50%	2,00%	2,75%	3,75%	0,00 pp	+2,25 pp
Required Reserves (RR)	8,00%	8,00%	8,00%	8,00%	9,00%	10,50%	10,50%	0,00 pp	+2,50 pp
Treasury bills – 91 days	2,59%	5,11%	5,37%	5,38%	5,59%	5,86%	7,52%	+0,26 pp	+2,15 pp
Treasury bills – 182 days	3,38%	6,43%	6,62%	6,67%	6,95%	7,16%	7,28%	+0,19 pp	+0,66 pp
Treasury bills – 364 days	3,68%	7,13%	7,25%	7,25%	7,41%	7,55%	7,55%	+0,12 pp	+0,30 pp
Overnight interest rate	2,59%	3,46%	3,11%	3,11%	3,67%	3,92%	5,55%	-0,35 pp	+2,44 pp

Source: Central Bank of Mozambique.

In December 2015, banking system assets reached MZN 468 billion, representing annual growth of 25.9%, compared to 24.4% in 2014.

The volume of deposits grew 24.2%, reaching MZN 316.2 billion, accelerating from the 21.4% growth registered in 2014. Meanwhile, the growth of lending to the economy slipped 4.6 pp to 21.3%, reaching a volume of MZN 241.2 billion.

5.3. Economic Outlook for 2016

International Economy

Global economic activity is expected to pick up slightly in 2016, although the rate of economic growth will remain low as a result of temporary and structural factors, including, in particular, high levels of debt and adverse demography. In the developed economies, especially the US and the Eurozone, economic growth will remain stable, whereas in the emerging economies it will increase only marginally.

The fall in commodity prices and weak wage growth at the global level, associated with globalization and the automation of production, are expected to give rise to deflationary pressures in 2016.

The US economy is expected to grow 2.5% in 2016, driven by service sector activity, growth in wages and house prices, low inflation and the very gradual increase in interest rates. However, it may suffer an adverse impact from the high US Dollar, which ultimately leads to excess capacity in the extractive industries and excess inventories, as well as an increase in credit spreads.

Fiscal policy will play a key role in supporting economic activity, although there is some uncertainty as to the monetary policy that will be adopted in 2016. It seems highly likely, however, that the Federal Reserve will raise interest rates.

In the Eurozone the cyclical recovery is expected to continue, resulting in GDP growth of around 1.7%, supported by flexible domestic demand, associated with the fall in energy prices and the low interest rates. Various risks in the political arena generate uncertainty, notably the calls for Brexit, the Catalonian independence movement and the refugee crisis, among others.

In China, the rate of GDP growth is expected to continue to decrease: having dropped from 7.3% to 6.9% between 2014 and 2015, in 2016 it is projected to fall to 6.5%. However, there are fears that government measures aimed at reducing credit and investment could result in excessive deflation and a hard landing, which could be avoided through further monetary policy and fiscal stimulus.

Sub-Saharan Africa is expected to reach average growth of nearly 3% in 2016, up from 2.8% in 2015. The pressure on commodity prices is expected to continue, above all in West and East Africa. Additionally, the risk of a deterioration in the debt dynamic is a factor to be emphasized.

National Economy

The forecasts for economic growth in Mozambique in 2016 are varied. On the one hand, the national budget proposal envisages an acceleration of GDP growth to 7.8% (6.3% in 2015). The IMF, on the other hand, predicts a more modest acceleration of growth to 6.5% in 2016, constrained by restrictive monetary and fiscal policies and stagnant extractive industries. In the medium term, GDP growth is projected to reach 7.5-8.0%, driven by the massive investments in the natural gas and coal industries.

However, Mozambique is expected to continue to suffer inflationary pressures under the impact of the depreciation of the Metical against the country's main trading currencies, the effects of natural disasters, the floods in the north of the country and the droughts in the south, and possible increases in government-controlled prices. Accordingly, inflation is projected to rise above the government forecasts, which are in the region of 5% or 6%.

The national budget proposal for 2016 foresees a budget deficit of around MZN 80.419 million (MZN 65.717 million in 2015), resulting from government revenue of MZN 178.145 million (MZN 160.707 million) and total expenditures of MZN 258.564 million (MZN 226.425 million).

In view of the inflation risks and the possibility that economic growth will not reach the levels projected for 2016, at its meeting on 15 February 2016 the Central Bank of Mozambique's Monetary Policy Committee decided to reinforce the restrictive measures initiated in the last quarter of 2015, raising the interest rate of the Permanent Liquidity-Providing Facility (FPC) by 100 basis points to 10.75% and the interest rate of the Permanent Deposit Facility (FPD) by 50 basis points to 4.25%. This measure has a direct impact on the prime interest rates set by commercial banks, which generally speaking have risen in proportion to the FPC rate.

Given the continuous falls in market interest rates, the IMF expects lending to the economy to retract from 21.3% in 2015 to 12.3% in 2016.

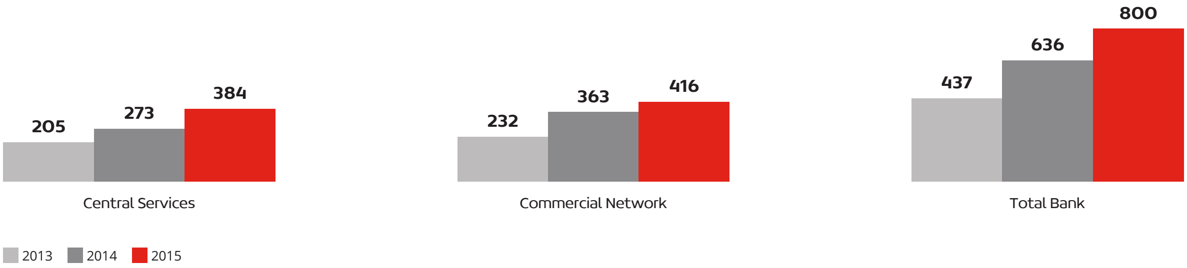
6.

Bank Activities

6.1. Human Resources Management

Moza's expansion and growth has required additional efforts in recruiting and managing the Bank's human resources. At year-end 2015, the Bank had a total of 800 employees, 52% allocated to sales divisions and 48% to support areas in Central Services.

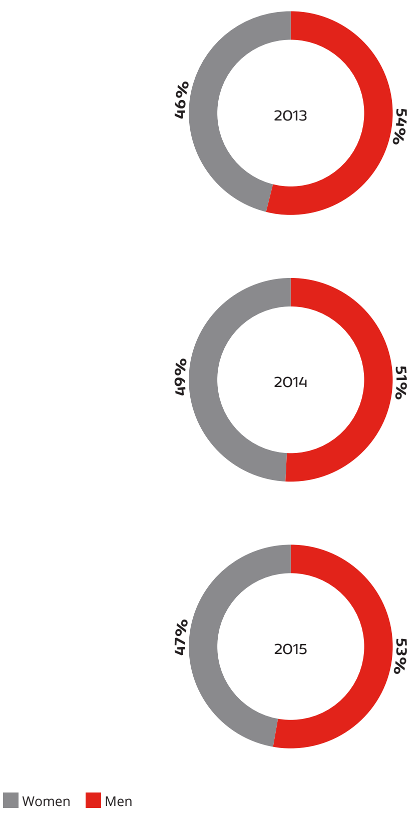
Number of employees by area of activity



The workforce grew by 26% (164 new employees) compared to 2014, in a trend explained by the continued strategy of expanding Moza's Branch network.

Moza's workforce is well-balanced in gender: 47% of its staff are female, and 53% are male.

Number of employees by gender



Moza works to achieve a gender balance and equal opportunities in its policy for attracting and retaining human capital, and these principles are aligned with its corporate and institutional values.

The age distribution of the workforce in the reporting period also reflects Moza's clear commitment to create job opportunities for young people in Mozambique, promoting their personal and professional development. At year-end 2015, Moza's workforce was predominantly youthful, with 60% aged less than 31 and an average age close to 31 years.

Training

In order to respond to an increasingly competitive and challenging market, Moza invested throughout 2015 in continuously developing its staff's skills, through technical, behavioural, commercial and operational training.

The 2015 Training Plan was geared primarily to developing Moza's employees and their potential, in order to equip them with the skills enabling them to rise to the challenges in the market. This involved broadening the range of traditional training tools and using new training methods, resulting in increased satisfaction amongst participants and more effective outcomes.

From January to December 2015, a total of 379 training initiatives took place, including integration programmes, classroom training, specific training and projects encompassing all sectors of the Bank (Sales Divisions and Central Services).

Total investment in training stood at MZN 14.2 million, up by 23% on 2014.

A total of 3.516 training hours were provided, with a total of 1.549 enrolments.

Moza's commitment to the continuous improvement of service quality and the promotion of staff development and well-being is demonstrated by the following initiatives launched in 2015.

> **The creation of a multidisciplinary team** to promote on-the-job training of branch network staff on processes, products and IT applications, identify weaknesses in the various processes implemented to correct and improve daily task performance, standardize knowledge and procedures in the Bank and identify team training needs.

> **The creation of a specialized social care service** to reach out to and support employees in social emergency situations that require more immediate care, such as health problems, death, accident, rehabilitation, suicide or murder and also to improve the quality of life of employees and their families through activities promoting health and well-being.

6.2. Branch Network

Moza started 2015 with 31 branches and 45 business units, with full nationwide coverage.

Following its introduction into Informal Markets in 2014, applying an innovative and unique model in the Mozambican market, in 2015 Moza continued to build on this initiative, opening a further nine branches – in Maputo (5), Sofala (2) and Nampula (2). At year-end 2015, it had a total of ten branches in Informal Markets.

In addition to opening new branches in the Informal Markets, Moza also expanded its physical presence around the country, most significantly in the areas around Maputo and in the Provinces.

> **Maputo:** Mão-Tse-Tung branch, Ressano Garcia branch and Marracuene branch
> **Nampula:** Politécnica de Nacala branch and Mutauanha branch

At the end of 2015, Moza had a total of 45 bank branches and 59 business units (43 retail banking units, five Private Banking Centres and eleven Corporate Centres), representing a 45% growth in outreach compared to the previous year, clearly demonstrating management's and the shareholders' commitment to continue to contribute to financial inclusion and extending access to banking services in Mozambique.

BRANCHES: GEOGRAPHICAL DISTRIBUTION

Moza closed financial year 2015 with **27 bank branches** in Maputo province:

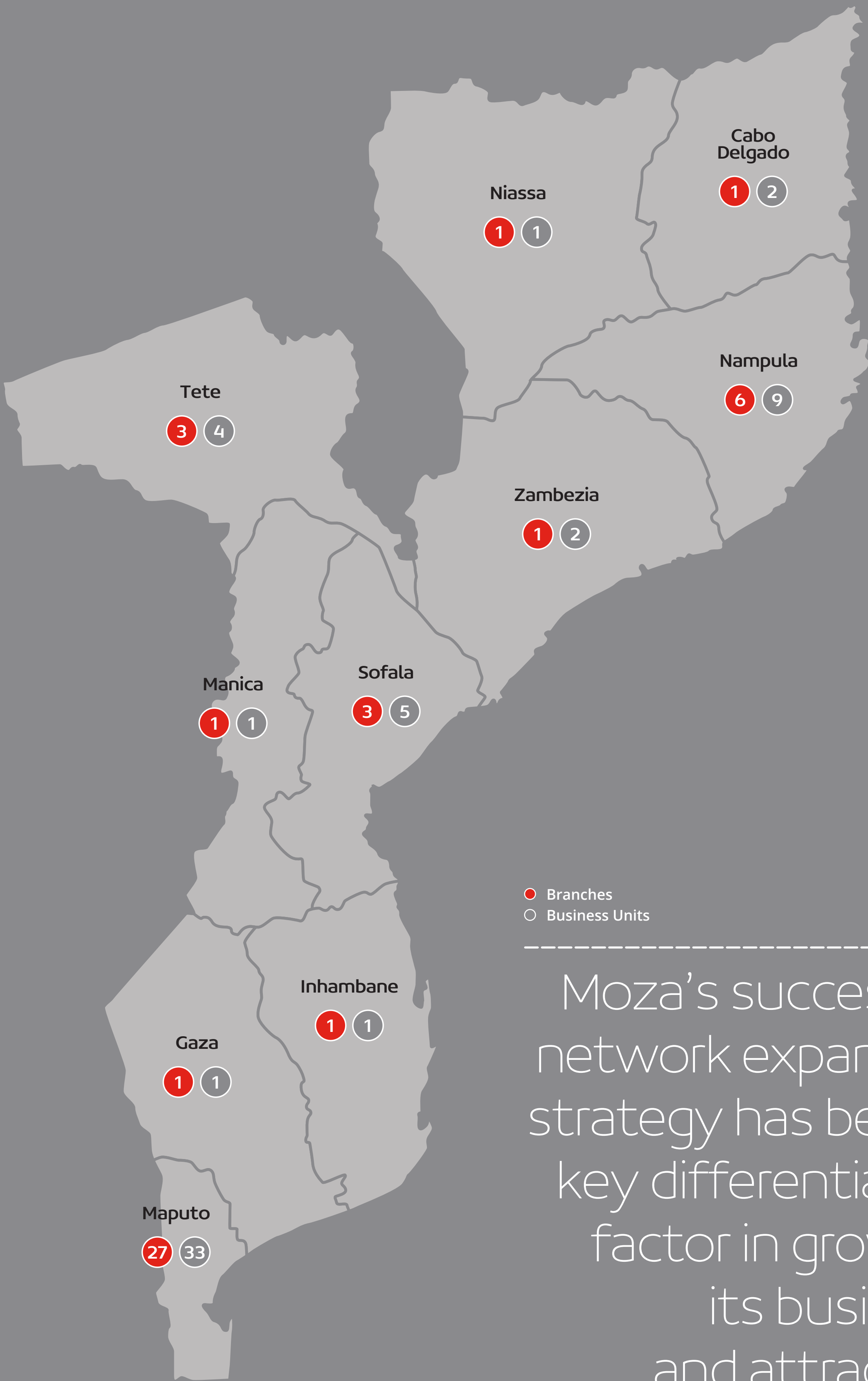
1.	25 de Setembro	15.	Julius Nyerere
2.	M. Park	16.	Mao Tse Tung
3.	Sommerschield	17.	Praça da Juventude
4.	*Private* Maputo	18.	Zimpeto
5.	Karl Marx	19.	Matola Rio
6.	Alto Maé	20.	Ressano Garcia
7.	24 de Julho	21.	Marracuene
8.	Aeroporto de Maputo	22.	Tsalala*
9.	Av. FPLM	23.	Malhampsene*
10.	Av. Angola	24.	Boane*
11.	Av. Trabalho	25.	Socimol*
12.	Machava	26.	Xiquelene*
13.	Matola	27.	T3*
14.	JAT		

In the rest of the country, at year-end 2015 Moza had the following **18 bank branches**:

1.	Xai- Xai	10.	Pemba
2.	Maxixe	11.	Jindal
3.	Beira	12.	Cuamba
4.	Chimoio	13.	Politécnica de Nacala
5.	Tete	14.	Mutauanha
6.	Matema	15.	Gôto*
7.	Quelimane	16.	Munhava*
8.	Nampula	17.	Resta*
9.	Nacala	18.	25 de Junho*

* Branches located in the Informal Market.

LOCATION BY PROVINCE



Moza's successful network expansion strategy has been a key differentiating factor in growing its business and attracting new customers.

6.3. Commercial Activities

STRATEGIC PRIORITIES

Moza has enjoyed a fast pace of growth in recent years and 2015 was no exception. With a sales strategy geared to providing services to its customers, Moza doubled its number of clients over the course of the year, with particular success in the Retail segment.

The strategic priorities established for 2015 were:

- To continue to attract new customers at a fast rate, so as to increase take-up of key savings and transactional products;
- To acquire customers whose salaries are paid directly into Moza accounts, taking advantage of commercial cooperation agreements with a range of public sector bodies and companies in Mozambique;
- Focus on small and medium-sized enterprises (SMEs), with a range tailored to their needs, from cash flow management and support for international business (trade finance and foreign exchange services) to processing services, in particular for salary payments.
- Rigorous treatment of loan maturities and collection of payment on overdue accounts through persistent contacts with the customers involved;
- Attracting new, good quality lending operations, adequately secured by real estate or financial collateral and direct payment of income/revenues into Moza accounts;
- Improving the security obtained in loan transactions;
- Provision of a top quality service, anticipating the financial solutions best suited to each customer and responding quickly to requests;
- Innovation and developing a comprehensive range of online service products, using new multi-directional channels. Increased focus on expanding the network of ATMs and POS terminals, achieving wider coverage of footprint and sales outlets.
- Consolidation and expansion of the range of insurance products, with an increased focus on standalone sales (i.e., sales not linked to loans).

In 2015, the Bank focussed on consolidating its efforts for change observed in the last two years under the current Strategic Plan. The whole Organisation was closely involved in working together to achieve its established objectives.

Commercial Operations

In 2015, the Bank launched a commercial action plan, focussed on business growth. The plan's priority is to GROW in the following areas:

- Attracting new clients;
- Retaining and attracting deposits;
- Equipment and key products;
- Quality services;
- Lending;
- Effective performance;
- Controlled risk.

Throughout 2015, the Bank remained focussed on its main strategic business variables, through its system of targets and incentives designed to reward the achievements of sales teams who display outstanding commitment to the Bank.

Product strategy

In an increasingly competitive and demanding market, Moza invested in consolidating its existing range of products and moving into new areas of business and channels, as it gradually seeks to provide universal banking services. In 2015, the main focus was on customers and customer loyalty, which involved improving service standards and adjusting its range of products and services to meet the specific needs of the customers according to the regional markets.

With a view to higher standards of service, Moza worked to implement practical systems that integrate a range of transactions, cutting response times and improving service quality.

Efforts were stepped up to conclude commercial agreements with companies and institutions in the public and private sectors, offering advantageous terms for employees whose salaries are paid directly into Moza accounts. This includes preferential and fast access to personal loans and lower charges for specific operations.

In keeping with its mission to further financial inclusion, targeting groups that have traditionally faced difficulties in access to banking services, such as young people, women and the informal economy, Moza launched the *"Cartão Jovem"* (Youth Card), in partnership with the National Youth Council, and provided specific credit facilities for young people, entrepreneurs and women (*Jovem Activo, Empreendedor Activo* and *Mulher Activa*).

In terms of savings products, efforts were made to provide simple solutions that encourage a saving culture across all age and income groups. A key product in this area is *"Poupança Automática"*, which allows customers to save when using Moza debit cards at all Visa network POS terminals.

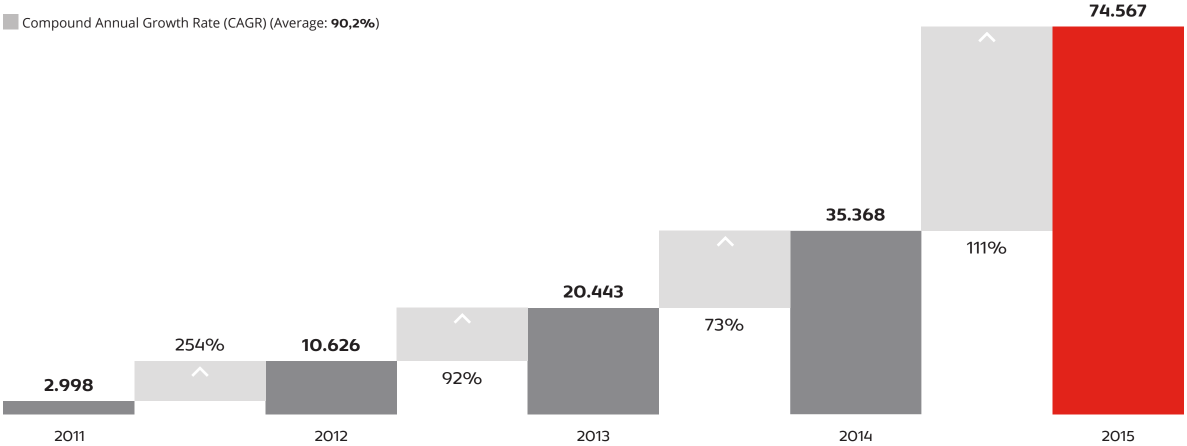
The bank also launched insurance products to be marketed through its banking network, including travel insurance, insurance for used vehicles and family protection insurance.

Moza also paid special attention to customer lending, expanding its product range by adding an equity release and lending product (*"Moza Valor Habitação"*) aimed at informal markets, seeking to support the development of small businesses by its informal customers.

Growth in Customer Numbers

In 2015, Moza attracted a total of 39.199 new customers, corresponding to growth of 111%. More than 90% of its new clients are retail customers, reflecting the continuing trend for Moza to expand its presence in this segment.

Growth in Customer Numbers

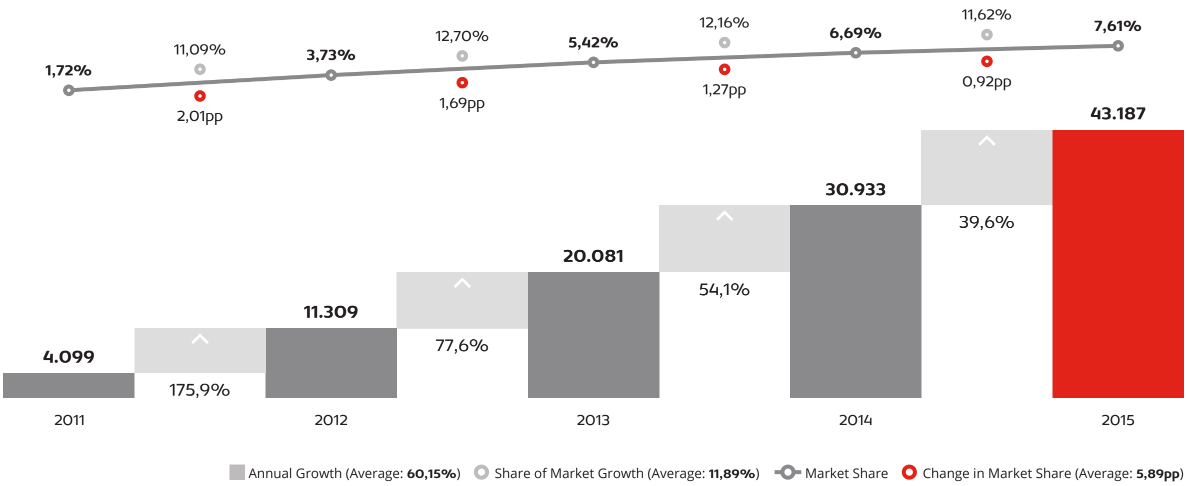


Business Volume and Market Share Growth

Over the past five years (2011-2015), business volume - measured as the sum of loans to customers and customer deposits - has grown by an average of 60.15% per annum, to a total of MZN 43.187 million at year-end 2015. This has translated into an average market share growth rate of 11.89%, allowing Moza to consolidated its fourth position in the ranking of Mozambican banks, with a share of 7.61% (2014: 6.69%)

In 2015, business volume grew 39.6% compared to 2014, an impressive achievement in view of the difficult economic environment during the year.

Business volume (MZN million)



Overall, the Bank has recorded robust growth over the past five years, reflecting the expansion of the branch network and customer base.

Of the main banks operating in Mozambique in 2015, Moza achieved the highest year-on-year growth in market share in terms of customer funds and lending, respectively 1.18% and 0.59%. This clearly illustrates the sustained growth recorded by the Bank, and a brand which has won its place in the market and is still growing.

DIRECT AND PAYMENT CHANNELS

In 2015, Moza faced significant challenges and achieved major successes in implementing a specific strategy for direct channels and payment instruments. The bank has continued to record robust growth in this area, thanks to further investment and an increased rate of transactions.

POS Terminals

a. Having closed 2014 with 666 POS terminals, after obtaining VISA certification in November that year, the Bank recorded growth of a further 100%, with a market share rising to 12% (at 3 December), as against approximately 7% and 8% in November and December the previous year, respectively, and a total of 1.587 POS terminals at year-end 2015.

ATMs

a. With the SIMO/InterBancos integration, all (12) of Moza's Rede Ponto 24 ATMs have been migrated and are now integrated with the SIMO systems.

b. Expansion of the branch network contributed to growth in Moza's ATM network, which now represents a market share of approximately 9%, as compared to 6% in 2014.

c. As in POS terminals, Moza recorded significant growth in ATMs, with the total rising to 83 ATMs, as against 46 in 2014. At the end of 2015, Moza's network included 11 remote ATMs (2014: 4).

Internet/ Mobile Banking

a. Moza has made significant changes to its internet and mobile banking services, in terms of content, functions and visual aspect, to match the Bank's new brand image.

b. In addition to combining services which already existed, the Bank implemented a range of improvements bringing real benefits to our customers, such as payment transactions, mobile phone top-ups, tax payments and others. Moza's new internet banking service is more intuitive and is available in Portuguese and English, in response to the wishes of many customers for whom language was the main barrier.

6.4. Technologies and Systems

Significant changes took place in 2015 as Moza worked to improve the technical and technological infrastructure supporting all its operations. The following progress was made during the year:

SAP BAIO

The new system came online, providing the Bank's platform for accounts and management support for logistics, fixed assets and human resources. Providing an integrated tool that caters for all Moza's back-office requirements, the system makes it possible to identify immediately the upstream and downstream impacts of any step taken, making for high standards in operational management.

WORKFLOW

The adoption last year of the new core process workflow did not end with the account opening and payment instruments processes. In 2015, the Bank made further significant strides towards transforming its way of working, with the start-up, in the first half, of the pilot phases for the workflows relating to deposit rates, credit cards (four workflows, in April 2015) and credit card issuance, international payment orders (April 2015) and migration of advances on international payment orders.

DATAWAREHOUSE

Further progress was made towards a more comprehensive and robust system, thanks to our Datawarehouse, which increasingly functions as the central and unique repository of all the Bank's management information. The most significant achievements included the following: work was completed on the Financial Datamart; part of the Operations Datamart came online, specifically the Account Opening WF; the Financial Portal was implemented, along with Account Authentication and Credit Applications; new features were added to the Commercial GPS (leads management, campaign management, etc.); and an alert system was implemented for data quality.

IMPAIRMENTS AND PROVISIONS

No less important was the start-up of the new Risk software for Impairments and Provisions (Live), allowing the Bank to comply with its legal obligations to submit reports on these issues to the Central Bank of Mozambique.

PFS PORTAL

The bank has implemented software which provides a more intuitive and efficient interface for improved navigation in core systems transactions, faster consultations and transaction execution, quick personalisation of user menus and simpler and more effective management of peripherals (e.g. certification equipment, readers and printers).

This channel, known as the PFS Portal, also allows for device sharing (better streamlining of costs) and centralised integration of all the Bank's software, with a single access point.

CORPORATE WEBSITE

The process of transformation involved launching the Bank's new website, with a new look, new services, segmentation and a new range of products for our customers.

INTERNET BANKING

The rebranding process also included implementing the new internet banking service for personal and business customers. In addition to combining services which already existed, a new set of improvements was implemented with significant benefits for customers, including payments transactions, mobile phone top-ups, tax payments and others.

MEASURES TO HIRE EXTERNAL COMPETENCIES INTO THE BANK

During 2015, Moza started to strengthen its internal competencies, so as to ensure it has the necessary critical mass to be able to meet current and future needs. Through agreements with the main service providers, contract staff working in the Bank who have specific competencies will gradually be incorporated into the Bank's IT Department. The aim is to shorten the learning curve and reduce the costs associated with acquiring the necessary competencies, and also to improve the teams' technical knowledge of the platforms in use in Moza.

6.5. Communication and Image

In 2015, Moza renewed its ambitions by stepping up its efforts to implement its strategic plan and starting an ambitious programme of radical organisational change and expansion of its geographical coverage, with the aim establishing itself as the financial institution of first choice in the Mozambican market.

Moza targeted its communication strategy at supporting business growth, promoting savings through a number of campaigns designed to bring in deposits, supporting financial literacy and reaching out to customers across all sectors of Mozambican society.

In line with this vision, the Bank sought to build up brand awareness, working on a series of fronts, most notably:

- Change of visual and corporate identity (rebranding)
- Cross-segment marketing of products and services;
- Realignment of the visual concept of all the business units and direct channels (payment instruments);
- Establishment of relational ties with customers through targeted communication and events;
- Participation in and promotion of trade fairs and conferences identified with our area of activity.

THE NEW ELEMENTS OF OUR IDENTITY

With the growth we have experienced in every area along our journey, thanks to the hard work and dedication of our workforce and our customers' satisfaction and loyalty, our services to the public have expanded significantly, and we are now closer than ever to achieving our aims and targets.

Moza has aligned its communication strategy with its new business strategy, which is aimed at transforming Moza into a universal bank, targeting all segments of the market. In 2015 Moza undertook a complete change of visual and corporate identity (rebranding).

The rebranding affected four key elements, namely: the name, the colour, the symbol and the signature.

Name:

By popular choice and based on a carefully studied rationale, Moza Bank was renamed simply as Moza. This is an example of democracy at work, and the involvement of customers and the public in creating a brand.

Colour:

We opted for a colour that matched our DNA, a bright, energetic, strong colour that shows our determination to do more and to do it better. We share these qualities with our country and so we took our inspiration from the national flag: red.

Symbol:

To make our origins even clearer, we incorporated a graphic design element in our name, once again inspired by the Mozambican flag. This gave us our symbol, the zig-zag from the Z in Moza and the arrow from Mozambique's national flag. As well as pointing to our nationality, this is a symbol that signifies progress and headway, so that our name also shows the direction in which we are moving: forwards.

Signature:

Rather than change our old signature phrase, we rethought the tone of voice in which we talk to our customers. By switching to a less formal register we removed barriers between ourselves and the public and made our communication more direct, less distant and warmer. "O valor é teu" encapsulates our mission: we are an institution that works to develop the financial value of our customers and that projects and advocates sound human values.

MOZA'S BRAND AWARENESS

VISA Prize

Moza was awarded the "VISA Product & Marketing Card Warrior Award" for its enormous contribution to promoting electronic payment instruments in 2015.

"Most Inovative Bank 2015"

Moza was named the Most Innovative Bank in Southern Africa in the 2015 edition of the Southern Africa Banking Awards, an event organised by the prestigious Banker Africa magazine. The award is in recognition of the creativity and innovation displayed in the services and financial solutions the Bank offers its customers and the market in general. It also recognizes the efforts made in expanding financial services not only through technological innovation but also through the links the Bank has established with the informal sector, which accounts for a large part of the Mozambican economy, through the Banco dos Merkados initiative.

Estrela Mercator

Moza won the Estrela Mercator trophy, awarded by Mercator in recognition of the innovative Training Branch project, where Moza provides all its staff the chance to receive training and develop their skills.

Visabeira Bonds

Moza was lead arranger in the public offering of bonds issued by the Visabeira Moçambique Group with a total value of MZN 250.000.000 and a face value of MZN 100 per bond.

Network Expansion

Moza expanded its sales network by opening a further 14 Business Units in 2015. With the opening of the new branches, Moza made significant progress in its plan for growth and expansion, ending the year with 45 branches and 59 service outlets in the country as a whole.

MAIN CAMPAIGNS IN 2015

In order to assert itself increasingly as a universal bank and in line with its rebranding, Moza broadened its range by offering competitive products and services. It also stepped up its presence in the mass media (TV and radio) through the following campaigns:

Youth Card

Aimed at Mozambican young people and their particular needs, Moza launched its *Cartão Jovem*, a banking card valid throughout the country, offering a series of benefits and preferential access to our products and services.
In connection with this card, Moza offers two credit facilities aimed exclusively at this population segment: the *Jovem Activo* facility, designed to finance the cost of higher education studies; and the *Empreendedor Activo* facility, to help young entrepreneurs develop their business plans by helping to meet their cash flow needs or to finance investment.

Informal Markets

After opening the country's first informal banking – ***"Banco do Merkado"*** – Moza has expanded its coverage by opening two more service outlets for the informal sector, inside the Xiquelene market (Maputo city) and the T3 market (Maputo province). These outlets provide closer and easier access to our financial services.

Crédito Já

Moza has launched a personal loan product which can be freely used by the client, provided on the USSD channel through the ***Moza Já*** service – an electronic channel allowing Moza customers to effect operations and transactions, such as consulting balances, movements, exchange rates and transfers, from their mobile phones, without needing to install software or have Internet access. The credit limits are matched to each customer's profile.

Moza d´Agente

Moza has launched an innovative service designed to offer increased access to its financial products and services: *Moza D'Agente*. This is a pioneering service in Mozambique, allowing any commercial establishment to become a Moza agent and provide banking services conveniently anywhere in the country, using a POS terminal which can be used to effect a series of banking transactions, such as: cash withdrawals, deposits, bank transfers, tax and social security payments, utility bill payment, mobile phone top-ups, balance and account inquiries, and others. With this new venture, people living in more remote areas can enjoy convenient and easy access to Moza's banking services.

New Website and Internet Banking

With a view to continuously improving the quality of its products and services, Moza renewed its website and internet banking services, making the e-banking experience easier, more direct and intuitive. The new website has a completely fresh look, in line with the Bank's visual identity, and is also more secure and interactive. Most notable among the numerous functionalities are the possibility of making payments to suppliers; paying various utility bills and buying mobile phone top-ups; making payments to the State, such as INSS, JUE and MCNET; opening deposit accounts; performing loan simulations; and obtaining information about Moza's products and services, among others.

Mulher Activa Account

Moza now offers the *Mulher Activa* account, aimed at businesswomen, with exclusive advantages for this segment, in particular: access to **Moza Credit Facilities (FECOP and AGF)**, which offer a series of added benefits and advantages. With this new addition, Moza is seeking to provide practical support for Mozambican women who are creating jobs and accumulating capital, thereby contributing to the country's socio-economic development.

Poupança Automática

Poupança Automática is a solution designed by Moza that allows customers to round up all amounts paid on purchases made using debit cards at POS terminals.

Conta Moza Júnior

This is an account aimed exclusively at children aged 0 to 12 years, allowing their parents or guardians to set up standing orders from their own current accounts, teaching children about the importance of saving from an early age.

Moza Valor Habitação

This is an equity release product for the financial needs of personal customers, based on the mortgage of their home (with no previous registered mortgage). Loans can be obtained for up to 100% of the property value.

STRATEGIC PARTICIPATION IN TRADE FAIRS AND EVENTS

CRS MOZ – Corporate Social Responsibility Conference
February 2015

Moza took part in the Corporate Social Responsibility Conference focussed primarily on encouraging and promoting business relations between public and private sector companies and SMEs. CSR MOZ 2015 is a company responsible for developing the current culture of corporate social responsibility in Mozambique, providing a space where business leaders and experts can identify challenges and discuss solutions for including social responsibility on the corporate agenda.

ACIS Conference
April 2015

As part of its partnership with the business association ACIS (Associação de Comércio, Indústria e Serviços), Moza co-organised a Business Cocktail Reception on 18 and 22 April in Maputo and Beira to offer advantages in Moza's financial products and services to the more than 300 companies belonging to this association.

The event brought together a range of Mozambican companies in order to provide an opportunity to interact and present their products and services, helping to create business opportunities.

Mulher Network
April 2015

Moza was the exclusive banking sector sponsor of the Mulher Network event organised by Essencial, a company working in the field of female enterprise and training in various areas. These events are organised every quarter and offer women the chance to learn, meet each other, create partnerships and do business.

FACIM
August 2015

As in previous years, Moza took part in the 51st Maputo International Fair (FACIM), the country's largest showcase for its products and potential. This was considered a record year for the event, which brought together around 3000 exhibitors representing more than 30 countries.

Alliance for Financial Inclusion (AFI) Global Policy Forum
September 2015

Moza took part in the Global Forum on financial inclusion policies organised by the Banco de Moçambique. The event features presentations of the latest technology and innovations in product and service design helping to expand the reach of the financial inclusion movement. The Forum took place on 1 to 4 September at the Centro de Conferências Joaquim Chissano.

African Youth Conference
September 2015

Moza took part in the 2nd African Youth Conference, renewing its commitment to youth causes. The African Youth Conference seeks to "create a sense of union, tolerance, a shared agenda and commitment among African youth leaders and activists".

COOPERATION AGREEMENTS AND PARTNERSHIPS

Mozambique Commodity Exchange
In December 2015, Moza signed a cooperation agreement with the Mozambique Commodities Exchange (BMM - Bolsa de Mercadorias de Moçambique), under which it undertakes to provide credit for existing and potential BMM operators trading in agricultural products. Moza has agreed to offer agricultural operators an advance, on advantageous terms, of up to 70% of the value of the produce they have deposited in the BMM's silos or stores or those of its licensees, which will serve as collateral for the loan.

Moza e AJECOM
Moza signed a Memorandum of Understanding with AJECOM (Mozambican Business Journalists' Association) designed to promote financial literacy, especially amongst journalists. Moza has undertaken to provide AJECOM with regular information on financial products and services for subsequent publication and to provide support for media professionals wishing to train and specialize in business reporting.

European Investment Bank doubles Moza's credit facility
Under the partnership between Moza and the European Investment Bank, funding of EUR 10 million, equivalent to more than MZN 460 million, has been arranged to promote projects for small and medium-sized enterprises.

Moza and GIZ sign agreement
Moza and the German international cooperation agency GIZ have signed an agreement to open up mass access to financial services and products, covering in the first place the provinces of Manica and Zambézia. The main aim is to provide local people with financial education and bring them into the banking sector, and also to help set up a network of banking agents and provide the necessary training.

Mozambican Parliament and Moza sign Cooperation Agreement
The Secretary-General of the Mozambican Parliament and Moza signed a Commercial Cooperation Agreement designed to offer exclusive advantages to the employees of the parliament's General Secretariat, providing them with access to a range of financial products and services suited to their particular needs.

SERVICE QUALITY - A CULTURE OF COMMITMENT TO CUSTOMERS

To improve the service provided to customers, Moza has implemented a client-centric strategy across all branches and departments, based on transparency in communication and the development of strong customer relationships.

The client-centric strategy has been reinforced over a two-year period through the development of quality assessment mechanisms, which are one of the Bank's strategic pillars.

Exceeding customers' expectations, offering them products and services that are appropriate to their real needs and responding to all requests quickly and efficiently with greater involvement between employees and customers in all interactions: these are the daily concerns of all Moza's workforce.

In this context, Moza continues to monitor its quality performance closely through metrics such as:

Renewal of Reputational Management System

Growth has brought great challenges in terms of reputational issues. The brand has to be managed to achieve the necessary balance between awareness and our customers' specific "experiences", at the various "moments of truth" with Moza.

In view of the Bank's growth and the need to comply with paragraph 9.1.3 of Banco de Moçambique Notice 04_GBM_2013, Risk Management Guidelines, on 05 October 2015 Moza introduced a system for monitoring employee service requests and has amended its reputational risk management system accordingly.

Monitoring of employee service requests (from service outlets to Central Services)

Just as service requests from external customers generate opportunities for improvement, opportunities can also be obtained from service requests submitted by internal customers (service outlets and others), who depend on the services provided by the support units (Central Services).

Having identified the need, on 1 June 2015 Moza approved the new process for monitoring employee service requests, not only in relation to service levels but also in relation to the quality of support provided by the Central Services to the service outlets.

Quality Audits of Northern and Central Commercial Regions

In order to bring the support services as closely into line as possible with the needs of the branches, it was essential to continue to monitor closely the challenges faced by the branches in complying with the service levels. Audits were accordingly carried out on a sampling basis in the Northern and Central commercial regions, generating the following outputs:

- Identification of constraints in customer service processes;
- Advance prediction of possible future complaints, providing the service outlet with advance information and knowledge for this purpose.

Implementation of a continuous improvement culture in complaints handling and management

Complaints management is a key process, as it helps to identify and correct errors that directly affect customers. The Bank is therefore committed to responding to all complaints in less than 10 days, keeping the customer informed about the status of the complaint and providing all possible clarifications with the greatest rigour and transparency.

For that purpose, apart from improving the complaints handling process, the Bank has put in place a system for identifying corrective actions, classifying complaints according to the process that gave rise to them and involving all the Areas responsible for each process in resolving the complaint and identifying the causes, so as to be able to take the necessary corrective measures. Monitoring complaints in this way makes it possible to continuously identify aspects that require adjustments and take the necessary continuous improvement actions.

The results of this comprehensive monitoring and analysis are regularly reported to all employees, with a view to encouraging employee involvement and internalization of the customer service culture and also to giving recognition to good practices and continuously improving those that fall short. Consequently, the best performers are rewarded through the system of targets and incentives, in which service quality will also be taken into account.

This model of quality diagnosis allows Moza to continuously improve, combined with the commitment of all employees to do things better all the time.

Service Level Monitoring

Service level monitoring consists of measuring the Bank's response times to different customer requests about products and services.

The service levels for the main customer service processes – specifically, account opening and provision of payment instruments and credit – are defined in the Bank's quality policy, so as to allow continuous assessment of compliance on the part of all the Bank's employees.

Continuous assessment serves to identify improvement opportunities, so that corrective measures can be taken to overcome any difficulties encountered in complying with good practices in customer service and in meeting service levels, allowing continuous improvement of customer service.

6.6. Internal Organization

In 2015, Moza approved a series of policies, strategies, plans, procedures and standards for business continuity management, designed to reinforce the Bank's capacity to continue to operate and limit losses in the event of a partial or total interruption of its activities.

The mandatory Business Continuity Plan (which must be submitted to the Central Bank of Mozambique) is based on three fundamental pillars – People, Facilities and Systems – all of which are needed in order to continue or re-start the Bank's operations in the event of an interruption.

Also in the field of internal organization, in 2015 Moza defined a set of Good Procurement Practices. To ensure that procurement is aligned with approved budgets, Moza introduced rules requiring that management:

- Maintain high standards of quality in materials and services;
- Purchase solutions whose cost is accordant with the quality and service the Bank requires;
- Ensure continuity of supply and implement service level agreements;
- Avoid duplication and waste of materials;
- Continuously scan the market for new, alternative solutions, products and services that could improve the Bank's efficiency and results;
- Continuously assess suppliers.

7.

Risk

7.1. Risk Management

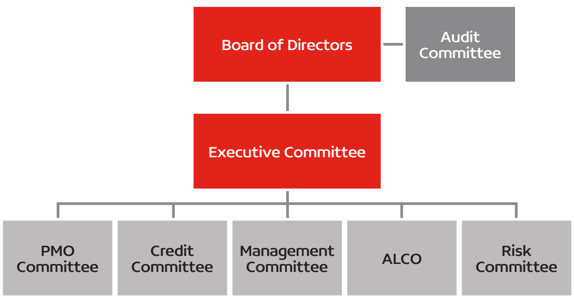
By policy and principle, Moza has a rigorous risk management function, equipped with all the necessary means to ensure the feasibility and sustainability of the Bank's business model and strategy. As the Bank is subject to various risks arising from its activity, which together determine the Bank's risk profile, risk management is governed by principles, procedures and methodologies of control and reporting that are appropriate to the size and complexity of the Bank's operations at any given time.

The main purpose of Moza's risk management function is to identify, assess, measure, control, monitor and report all the material risks to which the institution is subject, both internally and externally, so as to ensure that these risks are maintained at appropriate levels and so do not adversely affect the Bank's financial position.

The Bank's risk profile is determined by the following material risks, the management of which is essential to the development, profitability and sustainability of the business, ensuring compliance with legal requirements and definitions, especially with capital and liquidity requirements, in accordance with the Bank's exposures:

> Operational risk
> Credit risk
> Interest rate risk
> Exchange rate risk
> Liquidity risk
> Credit concentration risk
> Strategic risk
> Reputational risk
> Compliance risk

Controlling and managing the material risks to which the Bank is exposed is the responsibility of the Board of Directors, Audit Committee, Risk Committee, Executive Committee, PMO Committee, Credit Committee, Assets and Liabilities Committee, Risk, Treasury and Markets Departments, Internal Audit and Compliance Office, together with the Bank's collegial bodies.



Moza has been developing an organizational structure for managing and monitoring the various risks, aiming to gradually (as internal resources and the market allow) equip the organizational units with the necessary technical and human resources to manage the risks to which the Bank's activity is exposed.

In order to adapt to Basel II and other business needs, the Bank has been implementing various initiatives, within the scope of the Strategic Plan, aimed at making its risk management more efficient and more effective. The following projects and initiatives deserve mention:

> Automation of the calculation of regulatory provisions;
> Automation and fine-tuning of the model for calculating impairment provisions;
> Implementation of the ICAAP methodology and report;
> Stress Testing;
> Development of the risk-adjusted return model (RAROC);
> Development of a Balance Sheet Database (in which customers' financial information will be compiled);
> Development of tools for managing concentration risk (including large exposures).

Compliance with Basel II is not only a necessity but also an opportunity to improve in the following areas:

> Staff training – the risk function will be strengthened by equipping it with a sufficient number of employees who have the necessary competencies;
> Management instruments – the results obtained will assist branch management and decision making;
> Investment optimization – there will be synergies between the investments to be made for Basel II and those needed in order to meet other management and business challenges the Bank faces;
> Resource optimization – once the new processes and systems are in place, redundant, manual tasks can be eliminated, making better use of resources and reducing operational risk;
> Capital management – the measurement methodologies can be used to determine the capital requirements of the different business lines and measure their risk-adjusted return;
> Prospective view – the methodologies will provide a prospective view of capital adequacy and become important tools for strategy making and strategic planning.

7.2. Economic Capital

In 2015 the Bank introduced the Internal Capital Adequacy Assessment Process (ICAAP). Using a calculation tool and applying a risk measurement and aggregation methodology, the ICAAP defines the Bank's risk profile.

The following are the risks considered material for the ICAAP:

Material Risks	Risk Category	Methodology Adopted
Credit risk	Credit risk	Impairment + Simplified Standardised Approach
Interest rate risk	Market risk	Gap analysis/ Sensitivity analysis
Foreign exchange risk	Market risk	Standardised Approach
Operational risk (includes compliance and information systems risk)	Operational risk	Basic Indicator Approach (BIA)
Liquidity risk	Liquidity risk	Limited Funding Approach/Stress Testing
Strategy risk	Strategy risk	Risk trends
Reputational risk	Reputational risk	Qualitative assessment

The above mentioned methodologies are mainly quantitative. However, the approaches adopted for reputational and operational risk also include a qualitative component, involving the use of questionnaires to assess the Bank's risk management systems.

The assumptions inherent in these approaches ensure more rigorous risk controls and risk mitigation.

The Bank has established a capital and risk management and monitoring framework that involves all the branches and integrates risk management in the Bank's culture, day-to-day management and decision making.

The framework comprises a set of policies, processes and procedures for properly identifying, assessing, monitoring and controlling risk, in accordance with the Bank's capital requirements management strategy. The ICAAP framework and governance model provide a capital management system tailored to Moza's organizational structure.

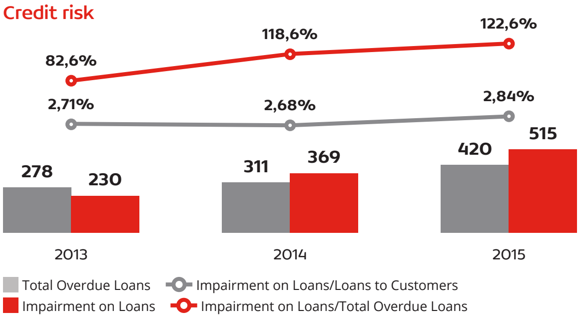
7.3. Credit Risk

Asset quality

At year-end 2015, despite the changes Basel II brought to the regulatory framework for the calculation of provisions, the indicators of the quality of Moza's credit portfolio remained generally favourable.

The ratio of non-performing loans to total loans increased slightly to 2.31%, compared to 2.26% in 2014. The ratio of non-perfoming loans more than 90 days increased 0.3 pp compared to 2014, reaching 2.04%.

Credit risk



Accumulated impairment provisions on the balance sheet were MZN 515 million, with a provision coverage ratio of 2.84%, up 0.16 pp compared to 2014.

The overall provisioning of total non-performing loans (NPL) was 123%, while the NPL more than 90 days was 139%, reflecting Moza's commitment to guarantee the quality of its balance sheet in the short, medium and long term, in line with its chosen strategic objective.

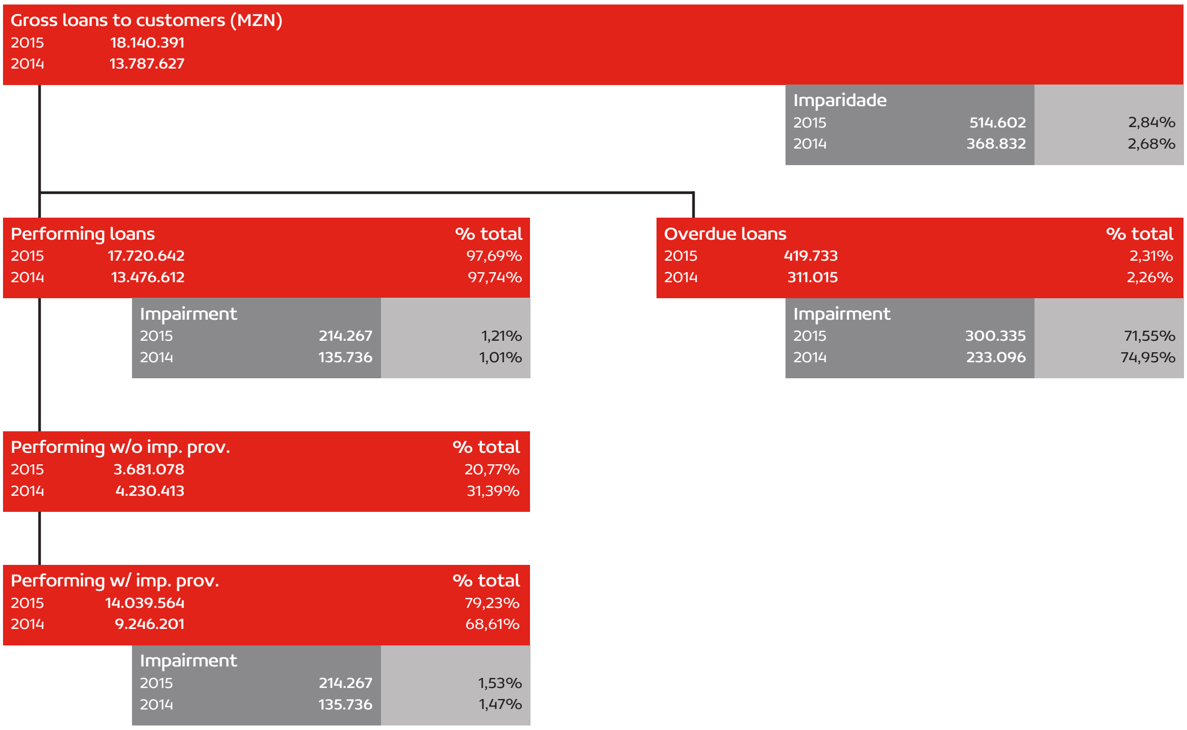
At the end of 2015, the Bank's non-performing loans totalled MZN 420 million, an increase of 35% compared to 2014. This increase reflects the adverse macroeconomic scenario experienced in 2015, which had considerable impact on companies' finances. Most of the banks operating in Mozambique experienced an increase in this indicator during 2015.

CREDIT RISK ANALYSIS

Breakdown of the portfolio by credit quality

The breakdown tree of the Bank's portfolio of loans to customers shows portfolio composition, year-on-year change and provision coverage by loan category.

(In MZN thousands)



7.4. Liquidity Risk

Liquidity risk is the risk of loss as a result of a deterioration in funding conditions (funding risk) or as a result of the sale of assets at below market value (market liquidity risk) in order to meet funding needs arising from obligations the Bank has acquired.

This risk is associated with the possibility that the Bank will be unable to meet its obligations when they fall due in normal or stressed circumstances. To mitigate this risk, apart from holding a minimum amount of cash and monitoring future cash flows on a daily basis, the Bank's management seeks to maintain diverse funding sources. This includes assessing expected future cash flows and the availability of high-ranking guarantees that can be used to ensure additional funding if required.

Liquidity stress testing is used to assess the Bank's exposure to liquidity risk and its capacity to absorb liquidity shocks.

Although the Bank's leverage allows it to cover its borrowing needs, liquidity management is vital for the Bank to be able to operate. And as a large percentage of the Bank's funding needs are met by shareholders' equity, liquidity risk is considered material.

The following stress tests have been defined:

- RLIQ01: Increase in Credit Granted – The test is intended to assess the impact on the one-year liquidity position of an increase in the amount of credit granted.
- RLIQ02: Decrease in Customer Funds – The test is intended to assess the impact on liquidity of a decrease in customer funds.
- RLIQ03: Increase in Non-Performing Loans – The test is designed to assess the impact on the Bank's liquidity of an increase in non-performing loans.

The results of the liquidity stress tests show no significant risk exposure and the Bank has alternative funding mechanisms at its disposal. Although its liquidity position is comfortable, the Bank aims to maintain and even strengthen its relationships with other credit institutions that provide viable and competitive funding alternatives.

Additionally, the Bank holds a diversified portfolio of liquid assets that can be converted to cash in the event of an unexpected interruption of funding.

At the same time, the Bank has credit lines in place to obtain liquidity when necessary and holds required reserves equal to 10.5% of the average balance of resident, non-resident and government deposits.

Liquidity management

As provided in Central Bank of Mozambique Notice 4/2013 on risk management guidelines, Moza has a set of liquidity risk management policies.

Moza's liquidity management policy, which sets out the strategies and principles of short and long-term liquidity management, is defined by the Bank's Executive Committee. Carrying out the policy is the responsibility of the Markets and Treasury Department. Implementation is supervised, assessed and monitored by the Executive Committee, with the support of the Assets and Liabilities Committee (ALCO).

The ALCO is presided by the Chairman of the Executive Committee and is made up of the members of the Executive Committee and the heads of the following units:

- Markets and Treasury
- Finance
- Risk
- Credit

On the one hand, the Bank's liquidity management policy includes short-term risk management guidelines developed by the Markets and Treasury Department. These guidelines cover daily liquidity management, daily cash flows, and interbank money market exposures and borrowings and are aimed at keeping liquidity indicators within internal and regulatory limits and maximizing the returns on surplus liquidity.

On the other hand, Moza's liquidity policy includes guidelines for medium and long-term liquidity risk management, specifically: the liquidity risk appetite; the loan-to-deposit ratio and other liquidity ratios; and the balance sheet structure by currency, maturity, segmentation, funding source and investment area.

Short, medium and long-term liquidity risk management is the responsibility of the Markets and Treasury area. The Executive Committee and the ALCO monitor and assess liquidity risk based on the reports, analyses and recommendations submitted by the Markets area at daily and monthly intervals.

The tools used to support the Bank's liquidity management include the aggregate liquidity position, daily liquidity maps and cash flow in Meticals and foreign currency, maturity mismatch, liquidity mix, long-term liquidity position, concentration risk, stress testing and analysis of the stability/volatility of current accounts.

The ALCO is also responsible for monitoring and assessing indicators of a liquidity crisis as part of the Liquidity Contingency Plan, which sets out the Bank's response to a liquidity problem. The LCP includes early identification of a liquidity crisis, liquidity crisis management mechanisms and the impacts on the Bank's various stakeholders.

7.5. Compliance and anti-money laundering

Given the dynamic of world markets and the impacts on the banking system, national and international regulations are likely to be reviewed and the control and monitoring rules are likely to become more demanding.

The Compliance Department promotes compliance at all times with applicable regulatory requirements, bringing the control and supervision environment into line with the rules laid down by the competent regulatory bodies.

The main focus of its activity in 2015 was the implementation of the following instruments:

- Notice 02/GBM/2015 – "Connection to the National Single Electronic Payments Network", which Moza joined from the beginning.
- Notice 03/GBM/2015 – "Rules Governing Entry to and Exercise of Banking Agent Activities", which prompted the launch of Moza d'Agente in October.
- Notice 04/GBM/2015 – "Anti-Money Laundering and Anti-Terrorist Financing Guidelines", supplementing the national regulatory framework on this subject (Law 14/2013 and Decree Law 66/2014), which introduced new rules on the control of customers and transactions.
- Notice 11/GBM/2015 – "Foreign Payments Using International Bank Cards", issued on 7 December and effective from January 2016.
- Circular 01/DLC/2015 – "Conversion and Transfer of Export Revenue and Imported Capital", which had a material impact on the Bank's customers and required a reinforcement of internal control procedures.

Apart from ensuring compliance with applicable regulations, the Compliance area also helps keep the Bank's internal control system up to date by issuing recommendations for the review and reinforcement of process control procedures and the review of internal rules of ethics and conduct.

8.

Financial Review

8.1. Introduction

2015 was the second year of implementation of the Strategic Plan (2014-2018). As in 2014, the degree of completion of the various operational sub-programmes was quite satisfactory.

The Bank's main strategic objective in 2015 was to consolidate its support infrastructure, launch new businesses and channels and continue to expand in retail banking, given its reorientation towards the universal banking model.

Various initiatives were taken to achieve these objectives, including the following: operationalization of a new marketing and promotion model, expansion of new branches and business units, subscription of multilateral credit lines to accelerate lending to SMEs and individuals, rebranding to get closer to customers and win their loyalty, implementation of new risk management tools, launch of new products and a new corporate image (website), increased coverage of ATMs, POS terminals and visa cards, and simplification and digitization of processes (internal process optimization).

As a result of these policies and despite an adverse business context – marked by a decrease in GDP growth (6.3%), an increase in inflation to 10.55% (2014: 1.10%), a general fall in the prices of the main exported commodities and a 49.6% annual depreciation of the Metical, which led to an increase in the cost of imported goods and services – the Bank's business volume grew considerably compared to 2014 (+37%).

Total loans reached MZN 18.452 million, up 32% year-on-year. Customer funds came to MZN 24.735 million, up 46% compared to 2014. In a difficult macroeconomic context, this represents significant growth.

The loan-to-deposit ratio, i.e., the ratio of gross loans to total customer funds, reached 74.6% at the end of 2015, down from 82.9% in 2014.

The growth of the business in 2015 was driven by an increase in number of customers, which doubled compared to 2014, reaching a total of 74.567, and an expansion of the Branch network (+14 branches) and direct channels (+37 ATMs and +921 POS terminals).

As a result, Moza significantly increased its market share, ending the year with a share of 7.52% (+0.59 pp) in loans to customers, 7.68% (+1.18 pp) in customer deposits and 8.88% (+1.41 pp) in total assets, consolidating its position as the fourth largest bank in the Mozambican financial system.

Despite the significant growth in its activity, Moza's capital base remains adequate to support its current business structure, offering scope for continued growth at rates similar to those experienced in recent years. The shareholders made a significant contribution to the Bank's growth, with a capital injection of MZN 249 million in 2015 (2014: MZN 630 million). The solvency ratio stood at 9.95%, above the regulatory minimum (8.00%).

Moza maintains a conservative risk management policy, with further loan loss provisioning in 2015. The ratio of impairment provisions to total non-performing loans reached 122.6% (2014: 118.6%) and the impairment coverage ratio, measured as the ratio of impairment provisions on the balance sheet to gross loans, reached 2.84% (2014: 2.68%).

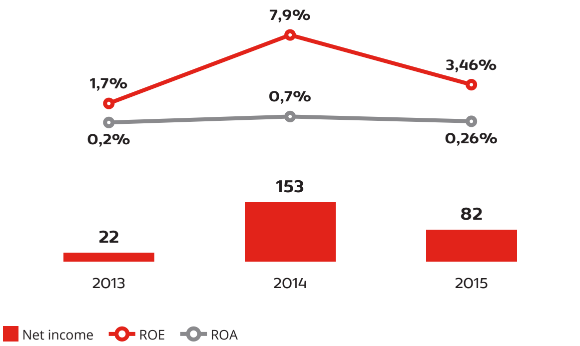
At the end of 2015, Moza registered a net profit of MZN 81.7 million, compared to MZN 153 million in 2014. It should be pointed out that the slower earnings growth recorded in 2015 was expected and normal, as the Bank is currently expanding its network and consolidating its processes and businesses: the associated costs naturally absorb a larger proportion of the Bank's profit.

8.2. Results and Profitability

Despite the difficulties and constraints in the environment, in 2015 Moza implemented various commercial initiatives aimed at maintaining its profitability.

Operating income was MZN 2.507 million, up +40% compared to the same period of the previous year, driven to a large extent by trading income. The results were severely affected by the increase in provisioning, as required by the new impairment provisioning model introduced under the more conservative credit risk management policy.

Net income (MZN million)

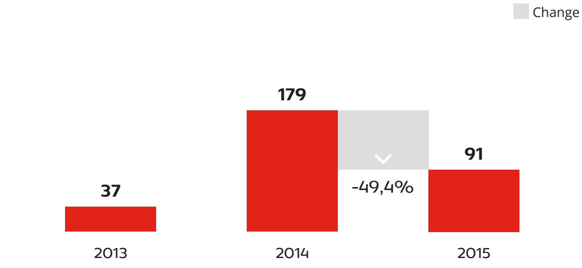


The profitability ratios register a slight decrease when compared with 2014, with a return on equity (ROE) of 3.46% and a return on assets (ROA) of 0.26%. Considering the stage Moza has reached in its development, the expansion of the Branch network and the focus on business and market share growth, these results are considered satisfactory.

Profit before tax

At year-end 2015, profit before tax totalled MZN 91 million, down 49% compared to 2014.

Results before tax (MZN million)



Net non-interest income performed particularly well in 2015, increasing by 76% compared to 2014. This increase was driven by the increase in fee and commission income and trading income.

The decrease in profit before tax in 2015 was influenced by the following factors:

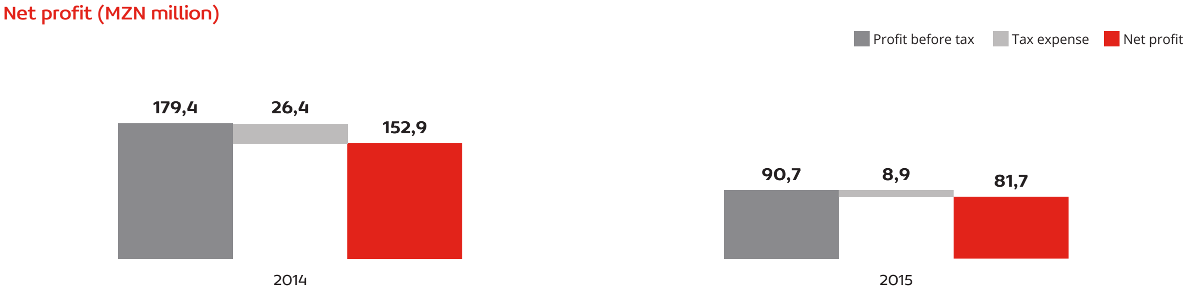
> a 41 bp increase in impairment expense compared to 2014, reaching MZN 276 million. This increase is the result of increased loan loss provisioning;

> a 44% increase in operating expenses (MZN +630 million) compared to the same period of 2014, arising from the expansion of the Branch network and the consequent increase in number of employees and investment in business support infrastructure.

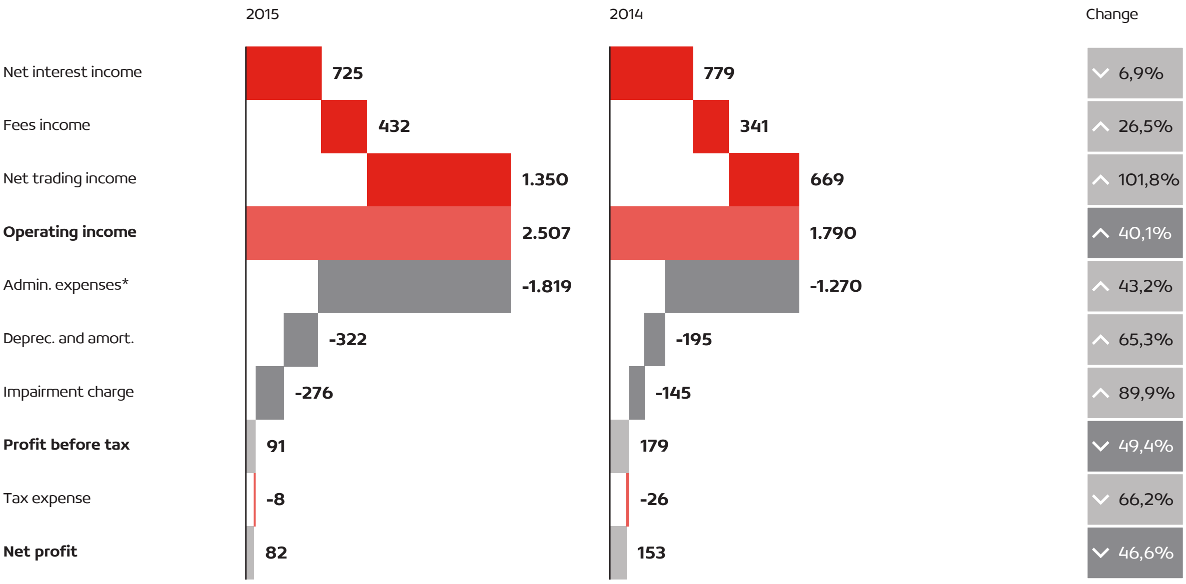
Net profit for the year

At the end of 2015, Moza achieved a net profit of MZN 81.7 million, compared to MZN 153 million in 2014. This result reflects the overall higher growth of operating expenses and impairment provisions compared to operating income. Total costs grew by +48%, while operating income grew +40%.

Net profit (MZN million)



Composition of net profit (MZN million)



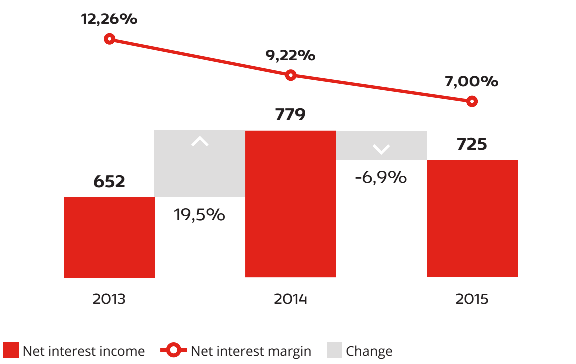
* Includes external supplies & services, staff costs and other operating expenses.

Net interest income

Net interest income totalled MZN 725 million, a decrease of 6.9% compared to the same period of 2014. The growth in business volume in 2015 (+40% vs. 2014) did not translate into an increase in net interest income, due to the narrowing of the net interest rate spread, which is the difference between interest earned and interest paid by the Bank. In recent years, as part of its strategy to increase business volume and in response to increasing competition in the sector, Moza has reduced the spread on its lending: in 2015 the net interest rate spread fell 2.23 pp.

Interest rates on loans to customers have come down, while interest rates paid on deposits have tended to increase, mainly due to the liquidity shortage in the market during the year.

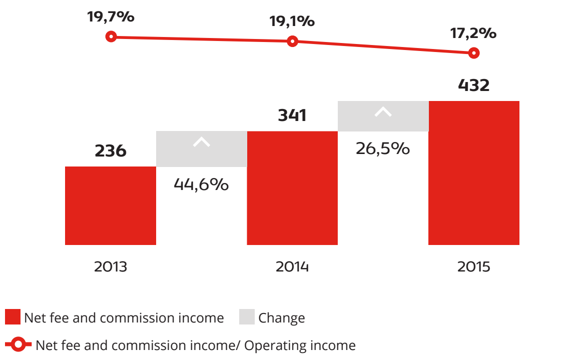
Net interest income (MZN million)



Net fee and commission income

Net fee and commission income came to MZN 432 million, up 26.5% compared to the same period of 2014. This increase reflects the growth in the loan portfolio, the amount and number of ATM and POS transactions and the issue of bank guarantees.

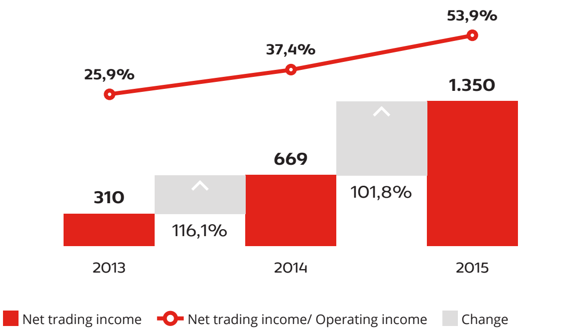
Net fee and commission income (MZN million)



Net trading income

Net trading income was MZN 1.350 million (+101.8% compared to the same period of the previous year), largely due to non-recurring income relating to the gain on revaluation of available-for-sale assets and the fair value measurement of derivatives held for trading, especially forward currency transactions and currency swaps.

Net trading income (MZN million)

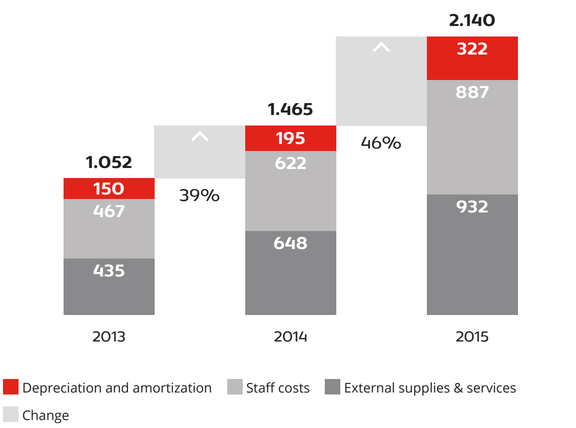


Operating income came to MZN 2.507 million, an increase of 40.1% compared to 2014, significantly helped by the strong net trading income.

Operating expenses

Operating expenses came to MZN 2.140 million in 2015, a year-on-year increase of 46.1%. This increase was due mainly to the opening of new branches and investments in business support services (IT and staff), in line with the Strategic Plan 2014-2018.

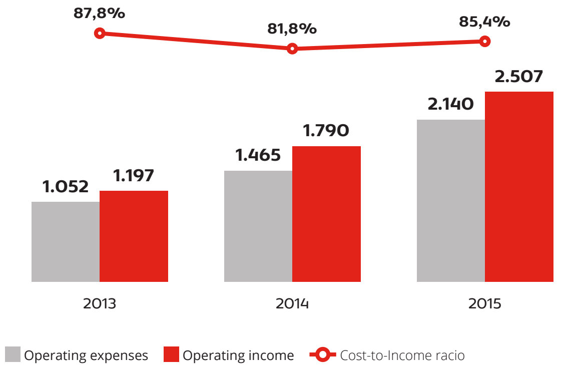
Operating income (MZN million)



Depreciation and amortization expense increased by a larger percentage (+65.3%) than in 2014. General administrative expenses (external supplies and services) were up 43.7% and staff costs up 42.7%, compared to 2014.

It should be noted that in 2015 Moza opened 14 new branches, which required an increase in its workforce (+164 new employees).

Cost-to-income ratio (%)



At year-end 2015, the efficiency (cost-to-income) ratio, i.e., operating expenses as a percentage of operating income, reached 85.3%, +3.52 pp compared to 2014. This increase is a result of the fact that revenue grew more slowly than operating expenses: 40.1% and 46.1%, respectively.

Staff costs

Staff costs totalled MZN 887 million, +43% compared to 2014. This increase is attributable to the hiring of 164 new employees during 2015 to staff the new branches opened during the year, bringing the workforce to nearly 800 people at year-end.

General administrative expenses

General administrative expenses increased 44% compared to 2014, due to the new branch openings, computer system maintenance, marketing campaigns and events (rebranding) and increases in costs directly or indirectly linked to the US Dollar.

Depreciation and amortization for the year

Depreciation and amortization came to MZN 322 million, up 65% compared to the same period of 2014 due to new (IT) project investments and new branch openings.

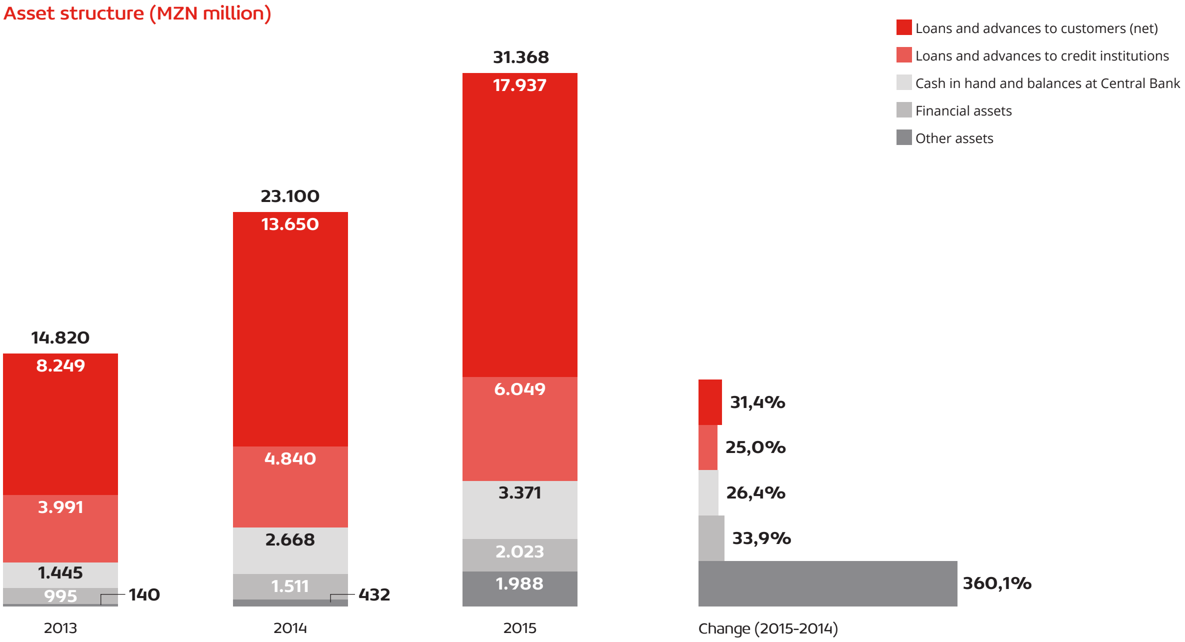
Impairment provisions for the year

Impairment expense was MZN 276 million (2014: MZN 145 million). The increase is explained by increased loan loss provisioning, in line with the Bank's conservative management philosophy. The ratio of loan impairment provisions to gross loans reached 170 bp, an increase of 41 bp compared to 2014.

8.3. Balance Sheet Review

The Bank's assets have grown quite rapidly over the last two years, driven mainly by successive capital increases and an increase in customer funds. At the end of 2015, total assets stood at MZN 31.368 million, up 36% compared to the same period of 2014.

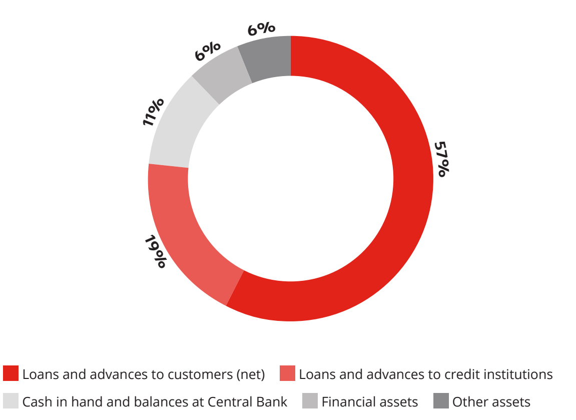
Asset structure (MZN million)



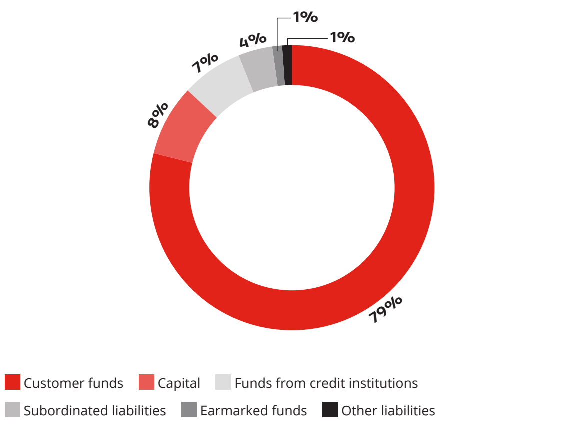
The growth in total assets in 2015 was attributable mainly to growth in net lending (MZN +4.288 million), other assets (MZN 1.556 million) and deposits with credit institutions (MZN 1.209 million). The composition of the Bank's assets clearly shows the strategy of diversifying the uses of funds, so as to maintain a balanced level of liquidity.

In 2015, the loan book accounted for 57% of the Bank's total assets, while customer deposits were the largest source of funding, accounting for 79.4% of the total.

Application of funds (as % of total)

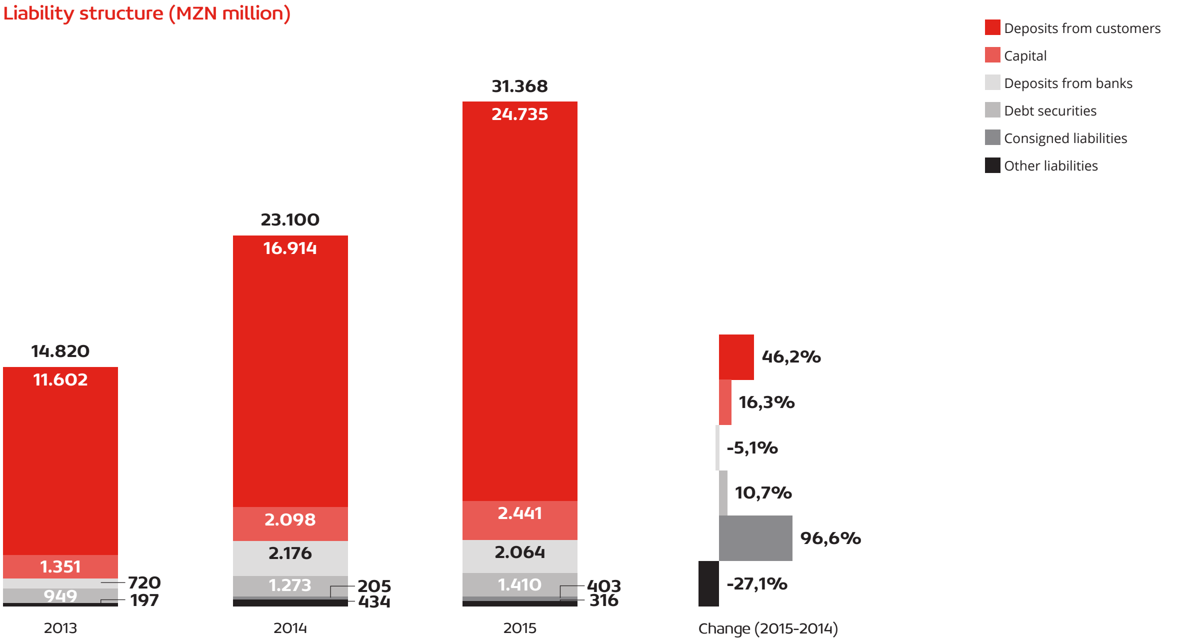


Source of funds (as % of total)



As regards funding structure, the Bank has displayed strong fund-raising capacity: its funding base has grown at significant rates in recent years, propelled mainly by the rapid growth of customer funds.

Liability structure (MZN million)



Customer funds and shareholders' equity are the Bank's main sources of funding, contributing 87% of the total.

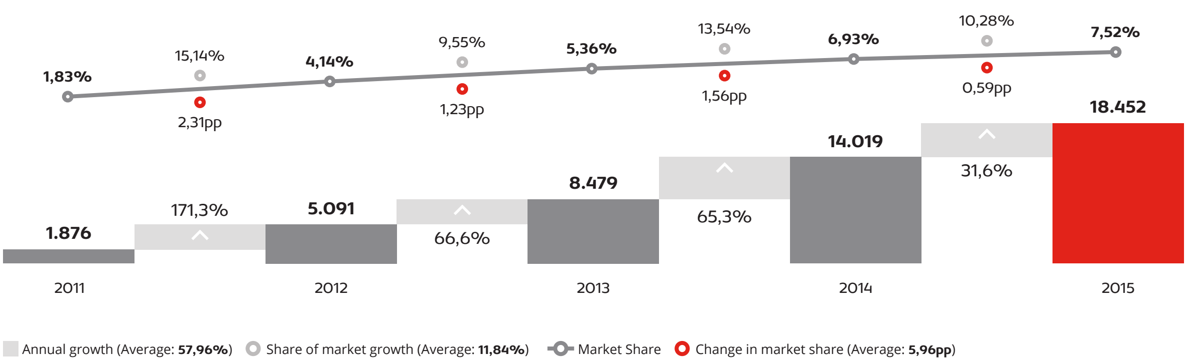
In order to diversify and extend its funding base, in 2015 Moza entered into a new funding agreement in the amount of MZN 200 million (EUR 5 million) with the European Investment Bank, duplicating its funding portfolio via earmarked funds.

The Bank's funding base was further reinforced in 2015 through the issue of MZN 270 million of commercial paper, increasing the Bank's capital market funding to MZN 659 million, an increase of +26% compared to 2014.

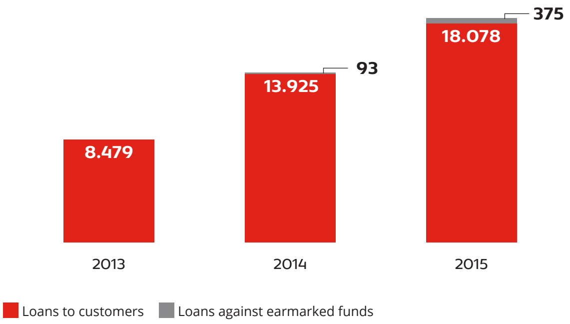
Loans to customers

In 2015, loans and advances to customers grew 31.6% compared to 2014, reaching MZN 18.452 million. This growth in excess of the market rate of growth (24.2%) reflects the expansion of Moza's commercial activity as a result of the steady growth of the sales organization and the increase in the Bank's presence around the country.

Loans and advances to customers (MZN million)



Loans backed by multilateral facilities (MZN million)



The growth in loans to customers allowed Moza to reach a market share of 7.52% at the end of 2015 and a 10.28% share of the annual growth of the market (third largest contributor to market growth).

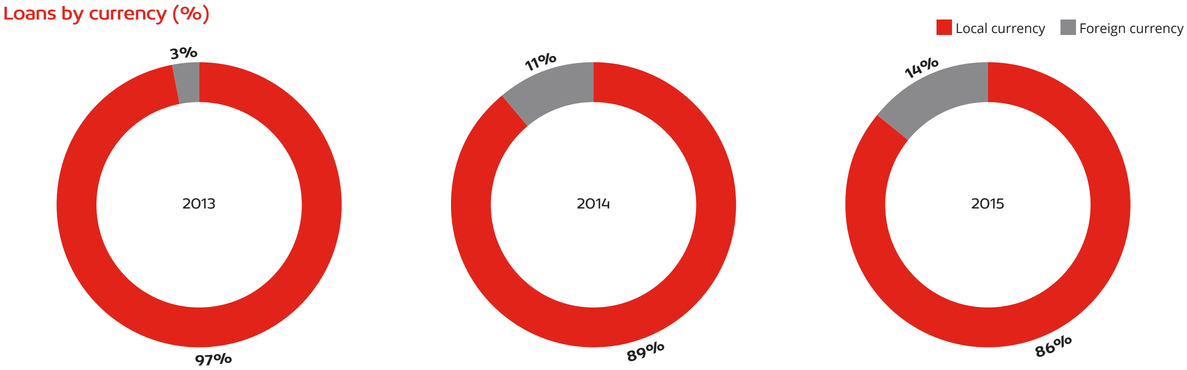
Credit financed by multilateral credit lines increased by MZN 281 million in 2015 compared to the same period of 2014. This credit is used mainly to develop and consolidate SMEs, in line with the Bank's strategy.

Credit by currency

At year-end 2015, local currency loans (MZN) represented 86% of total loans. The increase in foreign currency loans compared to the same period of 2014 (+0.2 pp) is due to the foreign exchange effect (depreciation of the Metical).

Given the legal and market restrictions, the Bank's strategy is to lend in local currency, so as to mitigate the foreign exchange risk.

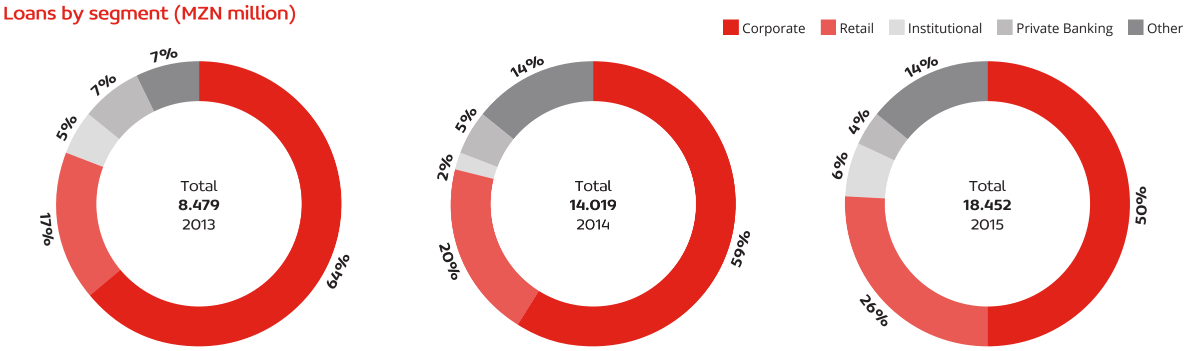
Loans by currency (%)



Distribution of loans by segment

Loans to the Corporate segment are currently the largest component of the loan book, accounting for 50% of the total (2014: 59%), followed by Retail, with 26% (2014: 20%), Institutional, with 6% (2014: 2%) and Private Banking, with 4% (2014: 5%).

Loans by segment (MZN million)



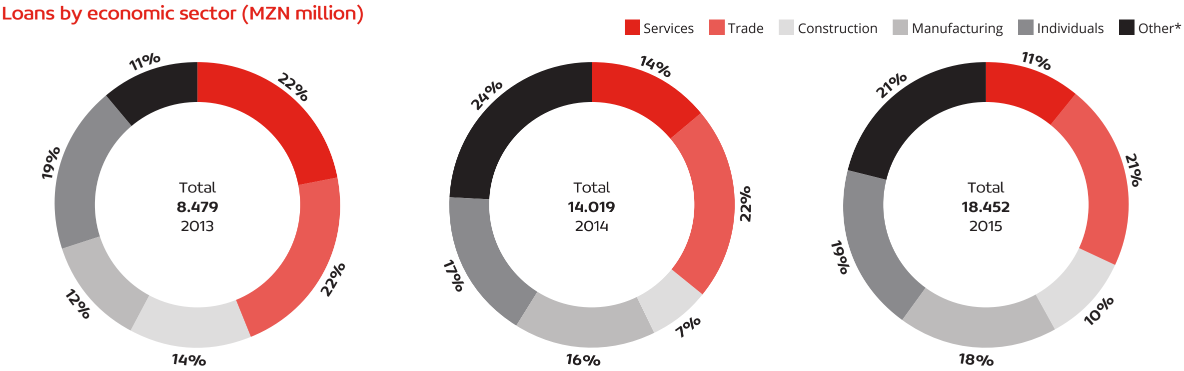
Following the Bank's shift of strategy in 2014, the increase in local presence and the move towards a universal positioning, the Retail segment (SMEs and Affluent) has experienced significant growth. This segment grew faster in 2015 (+74.8%) than in 2014, so that its contribution to total loans increased to 26%, compared with 20% in 2014 and 17% in 2013.

Lending to the Corporate segment totalled MZN 9.226 million, representing year-on-year growth of 11.5%. The Retail segment grew 71.1% compared to 2014, with especially strong performance in lending to SMEs.

Distribution of the credit portfolio by business sector

The sectors that benefited most from Moza's lending in 2015 were services, retail, construction, manufacturing industry and individuals, contributing to a concentration of 79.1%. The strongest growth during this period, compared to 2014, was in lending to manufacturing industry (+48%) and individuals (+43%).

Loans by economic sector (MZN million)

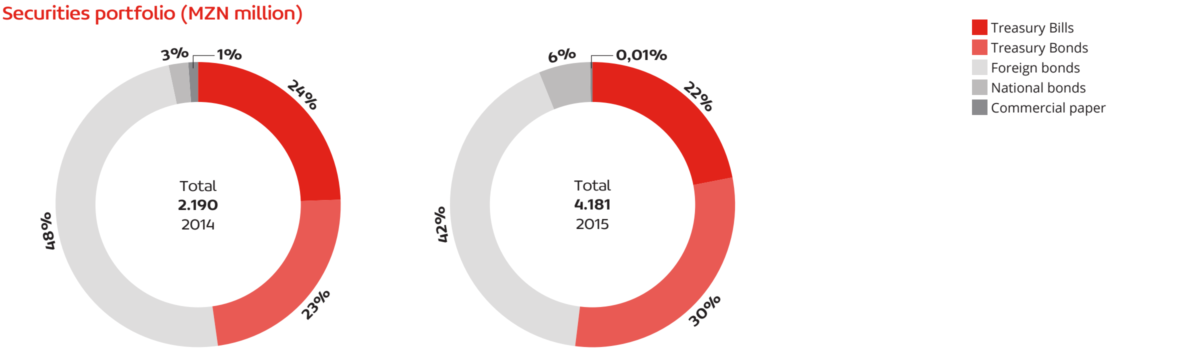


* Energy, Hospitality and Tourism, Transport and Communication, Agriculture and Fisheries.

Securities portfolio

With a view to diversifying the risks of its investments, in recent years Moza has increased its investments in securities and bonds, which in 2015 reached a total of MZN 4.181 million, up 91% compared to 2014. At 31 December 2015 the composition of the securities portfolio was as follows:

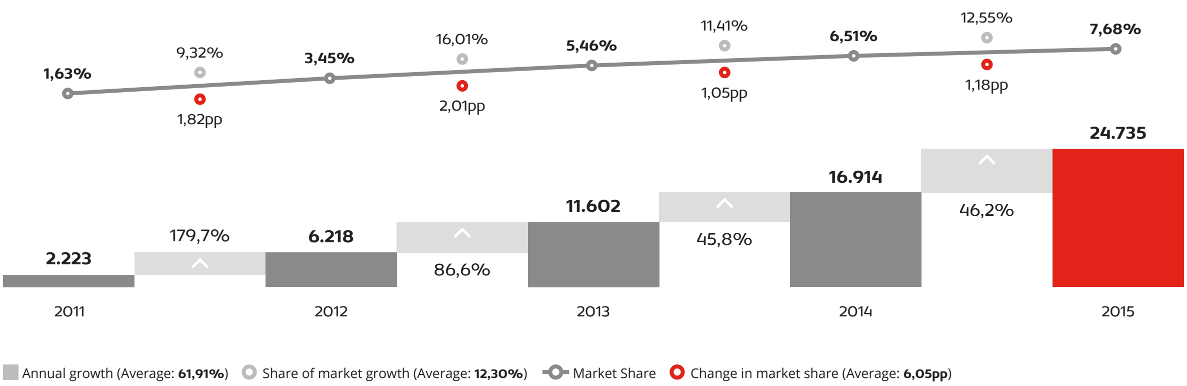
Securities portfolio (MZN million)



Customer Deposits

At year-end 2015, customer deposits totalled MZN 24.735 million, representing year-on-year growth of 46.2%, thanks to the Bank's strategies for raising deposits from Corporate and Individual customers. It should be noted that this growth was achieved in an adverse macroeconomic context, marked by fierce competition for deposits between banks and a shortage of liquidity in the market, which increase the cost of deposits.

Customer funds (MZN million)

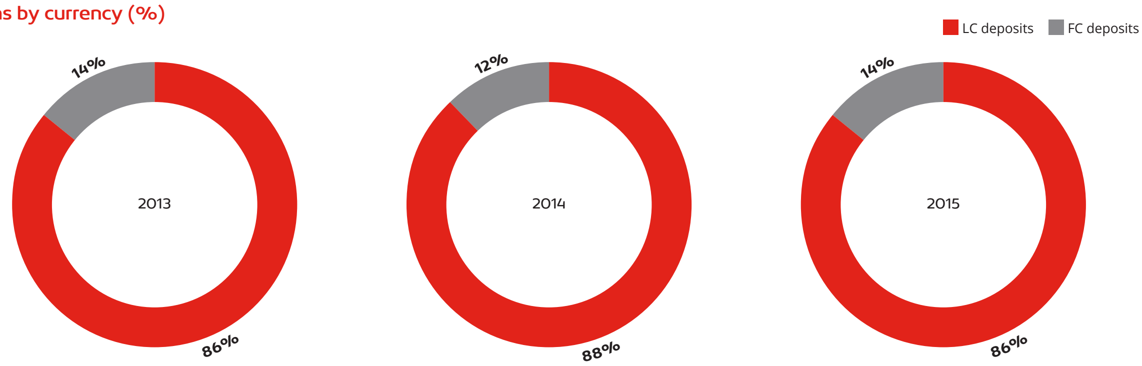


Customer Deposits have performed satisfactorily in recent years, with annual average growth of more than 50%, reflecting strong deposit acquisition and increased market share. In 2015, Moza had a market share of 7.68%, which gave it a 12.55% share of the annual growth of the market (fourth largest contributor to market growth).

Deposits by currency

In 2015, local currency deposits fell 2.6 pp compared to the previous year as a result of the depreciation of the domestic currency against the main trading currencies, especially the US Dollar and the South African Rand.

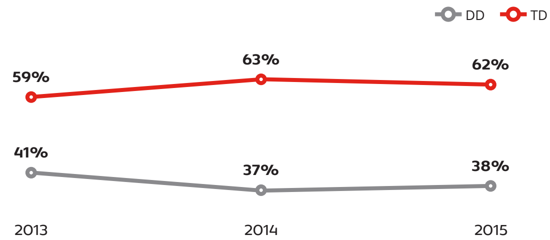
Loans by currency (%)



Ratio of demand deposits to term deposits

At year-end 2015, Moza's portfolio of customer funds continued to be financed mainly by term deposits, with a 38:62 ratio of demand deposits to term deposits. However, the funding structure improved slightly compared to the previous period, with demand deposits up 1 pp.

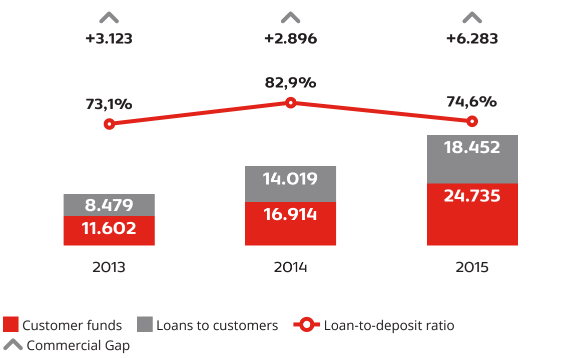
Ratio of demand deposits to term deposits (%)



Loan-to-deposit (LTD) ratio

The overall LTD ratio, i.e., the ratio of total loans to total deposits, reached 74.6% at the end of 2015, below the 82.9% recorded in 2014. This improvement in the ratio reflects the higher rate of growth of deposits vs. loans (46% and 32%, respectively).

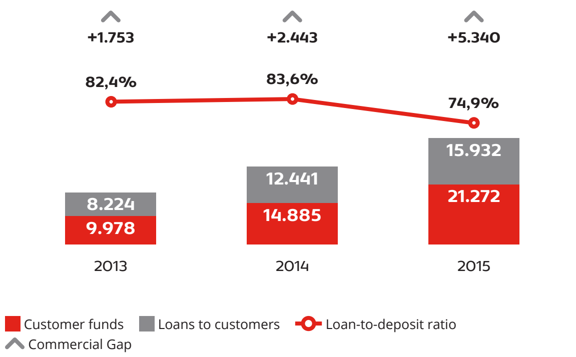
Overall LTD ratio (MZN million)



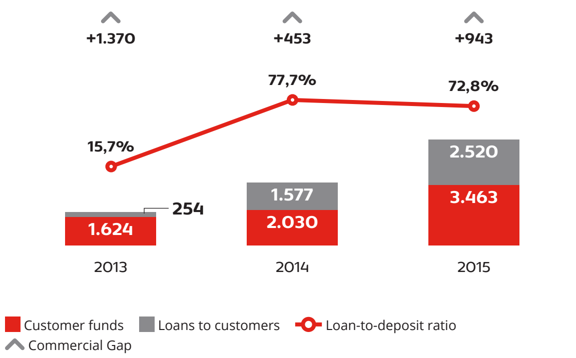
The fall in the LTD ratio translated into an improvement in the Bank's liquidity position. At year-end 2015, the commercial gap showed an improvement of MZN 3.387 million compared to 2014, ending the year at MZN 6.283 million.

The commercial gap showed a liquidity surplus, with a larger contribution from local currency than from foreign currency, as the following charts show:

LTD ratio in local currency (MZN million)



LTD ratio in foreign currency (MZN million)



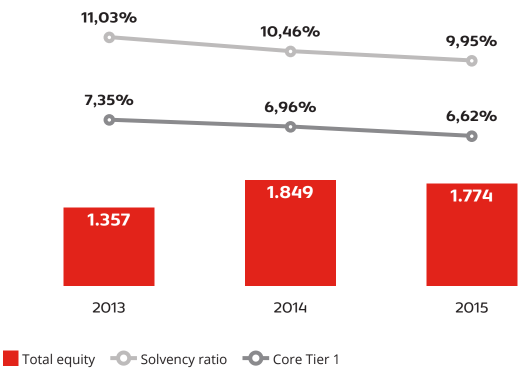
8.4. Capital and Solvency

In 2015, to strengthen the balance sheet and finance the growth of the Branch network, the Bank's shareholders increased the share capital by MZN 249 million (2014: MZN 630 million), to a total of MZN 2.129 million.

Shareholders' equity	2013	2014	2015	Change 2015–2014	
				Absolute	%
Share capital	1.250	1.880	2.129	249	13%
Reserves	43	10	45	35	331%
Retained earnings	36	55	185	130	237%
Profit/(loss) for the year	22	153	82	(71)	-47%
Total	**1.351**	**2.098**	**2.441**	**343**	**16%**

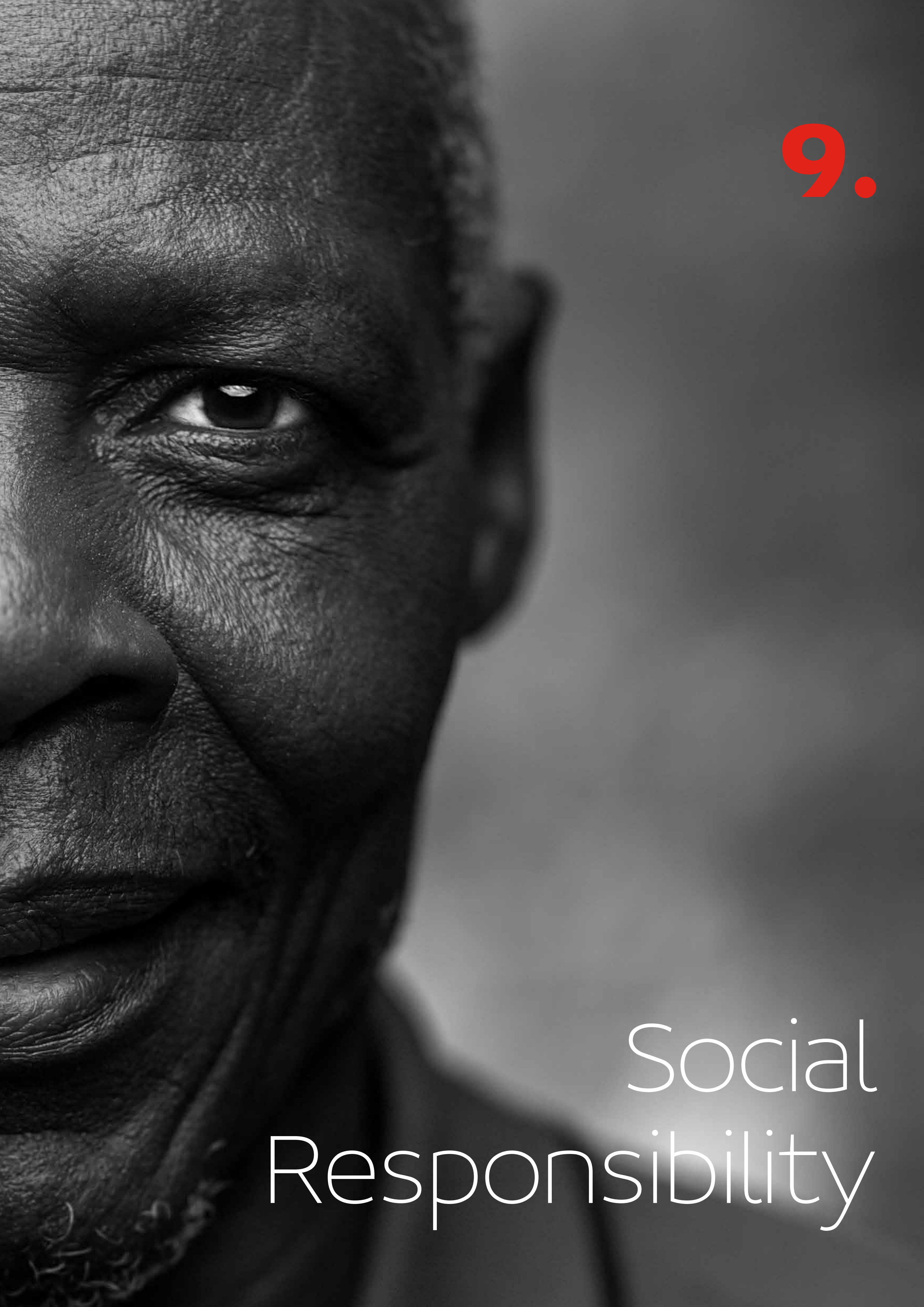
The Bank's capital base was further reinforced by retained earnings from 2014 in the amount of MZN 153 million.

Prudential ratios (MZN million)



Prudential ratios

Despite the significant growth in lending to customers, the expansion of the network of banking agents and substantial investments in projects under the Strategic Plan, at year-end 2015 Moza's solvency position remained robust, with a total capital ratio of 9.95% (above the regulatory minimum of 8% set by the Central Bank of Mozambique) and a core Tier 1 ratio of 6.62%.



9.

Social Responsibility

9.1. Social Responsibility

Social responsibility has always been a priority for Moza, which is committed to the sustainable social and economic development of Mozambique. This commitment is manifested through the many social responsibility actions, attitudes and initiatives the Bank has implemented or supported in recent years.

Moza aims to manage its businesses in accordance with the principles of social responsibility, so as to generate sustainable results.

Based on these assumptions and with the objective of disseminating and systematizing social responsibility attitudes and practices, the Bank has formulated a social responsibility policy, which defines and sets out Moza's principles in relation to its corporate social responsibility and its corporate citizenship. According to the new policy, social responsibility is an integrated, ethical and transparent way of managing the Bank's businesses and activities and its relationships with all stakeholders (including employees, customers, suppliers, shareholders, regulatory authorities, competitors, the media and society at large), promoting human rights and citizenship, respecting human and cultural diversity, preventing discrimination and degrading work, and contributing to social, economic and environmental sustainability.

The principles can be summed up as follows:

- **Diversity:** We respect human and cultural diversity in our dealings with stakeholders;
- **Work:** We defend and support the eradication of slave labour and degrading labour practices from the value chain and promote the principles of decent labour and non-discrimination;
- **Social investment:** We support initiatives in society aimed at promoting citizenship, culture, financial education, environment and entrepreneurship with a view to financial and social inclusion;
- **Human rights:** We respect and defend internationally recognized human rights;
- **Integrated management:** We integrate social responsibility in our management and are committed to ethics and transparency in our dealings with stakeholders, aiming for a social, economic and environmental balance;
- **Sustainability:** Our activities are conducted in accordance with social responsibility and in line with international best practices, so as to contribute to sustainable development. By adopting a social responsibility policy, Moza aims to keep the focus of its business strategy on quality of relationships, so as to generate value for all.

In exercising corporate social responsibility, Moza combines two perspectives:

Internal social responsibility (internal audience) – employees and parties that are affected by the Bank and that may influence its performance and results, including employees' spouses and children.

Social responsibility towards the community (external) – the effects of the Bank's actions on the environment, its business partners and their environment.

9.2. Internal Social Responsibility

In 2015 the Bank created **"Clube Moza"**, a social club for Moza employees and their families, with the aim of fostering good relations, improving the quality of life and building a spirit of solidarity and citizenship.

Various activities were carried out during 2015, most notably: Team Building; Sports; Dance; Postural Education Programme; and campaigns (identity card applications); among others.

This programme boosted employees' motivation, strengthened cohesion within teams, improved the group dynamic and stimulated interaction.

Outdoor Team Building

Clube Moza uses team building as a motivational activity, covering issues such as enthusiasm and self-knowledge (allowing participants to explore situations of strength, self-confidence and self-improvement) and offering opportunities for employees to get to know one another outside work in a relaxed atmosphere.

Two games (Know Your Partner and Treasure Hunt) were transferred to the corporate environment to provide a learning experience, with a high degree of commitment, bringing to bear various factors and competencies that are needed at work: INTEGRATION, SELF-IMPROVEMENT, MOTIVATION, STRATEGY, FOCUS, as well as fun.

Sports

In 2015 we engaged a total of 224 employees in sports events, both feminine and masculine, in four sports (beach football, basketball, futsal and beach volleyball) in Maputo, Ressano Garcia, Xai-Xai, Maxixe, Beira, Tete, Jindal, Matema, Nampula, Quelimane and Pemba.

Moza were futsal champions in Maputo and placed well in the league tables in each province, reinforcing the idea that our employees have a leisure and health option for their free time.

Dance

In 2015 we promoted the Kizomba workshop to raise employees' awareness of the importance of movement for physical health and well-being through dance.

This initiative combines leisure, fun, learning and relationship building. Dance is a tool that contributes to employees' social and emotional stability.

Postural Education Programme (PEP)

In 2015 we promoted PEP, an employee health and wellness programme aimed at improving posture, so as to help prevent work-related musculoskeletal disorders.

The programme also helps boost productivity, motivation and readiness for work. With this programme we aim to reduce risk factors and also improve the cardiorespiratory system, local muscular strength, joint flexibility, sleep quality and self-esteem.

Campaigns

Over the course of 2015 we were involved in two campaigns: Operation Identity Card and the "Ajude-nos a Ajudar" campaign.

Operation Identity Card: The objective of this campaign was to help employees, their spouses and their children obtain, renew and update their identity cards. A total of 398 identity cards were issued: 362 for employees and 36 for spouses and dependants.

Ajude-nos a Ajudar (Help us Help): In 2015, within the framework of the International Day of the African Child (16 June), which is also Moza's day, we promoted the Ajude-nos a Ajudar campaign simultaneously at the Bank's three regional headquarters, South and North, with the aim of fostering a spirit of solidarity among employees and conveying hope for children living in orphanages or in emergency situations, by making donations.

In the South area, various school materials, books, clothes, etc. were collected and distributed to nearly 236 children living in the Ndambine neighbourhood of Chinjiguir settlement in Homoíne District, with the Maxixe branch taking charge of delivering the materials to the Chinjiguir Primary School.

In the North area, a variety of food, clothing, hygiene products, cooking and dining utensils, school material and teaching and occupational therapy material was collected and distributed to disadvantaged children in the city of Pemba in Cabo Delgado province, benefiting a total of 110 children, three of whom suffer from reduced mobility.

Leisure

In 2015, for the first time, Moza sponsored a group visit to the Mozambique Ports and Railways (CFM) Museum, followed by a trip in a private train service to Marracuene station, offering employees a day out with their families, so they could learn and spend time together, which promotes emotional stability. A total of 286 employees, spouses and children took part in the outing.

PARTNERSHIPS AND PROTOCOLS

Gym

We established an agreement with Physical, Lda, a company that offers well equipped gym facilities. Under the agreement, our employees are entitled to a 20% discount on entry to Physical's facilities.

We launched a campaign with 500 invitations offering free entry to Physical gyms for our employees, so they could use the sauna and engage in activities such as dance, strength training, indoor cycling, aerobics, etc.

LC Gym - Beira

We established an agreement with the LC gym in the city of Beira, which also has well equipped facilities.

9.3. External Social Responsibility

Various social responsibility events and initiatives were organized in 2015, in line with Moza's policy, most notably:

Moza Challenge

This is a simulation programme carried out in selected secondary schools about choices, happiness and financial literacy. The main objective of this activity, in which participants are faced with various decisions and their consequences, is to build awareness that our life is in our own hands. We choose the work we have, our level of education, what we consume, how much we borrow, the degree of professional risk we take and many other options in a constantly changing environment. The game is regulated by two main variables: time and money.

Minuto Moza

As part of the broad-based financial literacy and education programme, in 2015 Moza continued to broadcast Minuto Moza, a short television programme aimed at training and educating viewers and conveying basic notions of finance, so that citizens are able to make reasoned, sensible and stable economic and financial decisions that will contribute to their quality of life.

Savings Promotion

To commemorate World Savings Day, Moza carried out a financial education campaign in schools throughout the country, aimed at promoting saving. As part of Moza's financial literacy programme, the campaign included activities such as teacher training on the subject of savings, classroom activities, and lectures and competitions about the importance of saving. The main goals were to make children and students aware of the importance of saving, explain the different ways of saving and promote financial literacy.

Rehabilitation of the "A Luta Continua" School

As part of its social responsibility initiative, Moza sponsored the renovation and repainting of the "A Luta Continua" primary school in Maputo, an initiative that was also supported by Moza's partners, in particular, Casais Lda, DSP Plascom Lda, IEN Mozambique Lda and Gavedra Mozambique Lda.

"Best Students" awards

Moza awarded prizes to the best students in the Accounting and Audit, Financial and Bank Management, Monetary Economics and Insurance courses at the Instituto Superior de Tecnologias e Gestão in Maputo, the Science and Technology Faculty, the Social Sciences and Humanities Faculty and the Agricultural Sciences Faculty at Universidade Zambeze in Beira and the Instituto Superior Politécnica in Manica.

Membership of the "Clube dos Amigos da Educação" platform

Moza joined the "Clube dos Amigos da Educação", a platform created by the Ministry of Education and Human Development to promote active, transparent and democratic social participation in the management of the education system. The main aim is to improve the quality of lifelong education and training through concerted action with various partners, with an emphasis on inclusion, cooperation, creativity and entrepreneurship, promoting holistic human development by linking schools and society.

SPONSORSHIP

Colecção Crescente

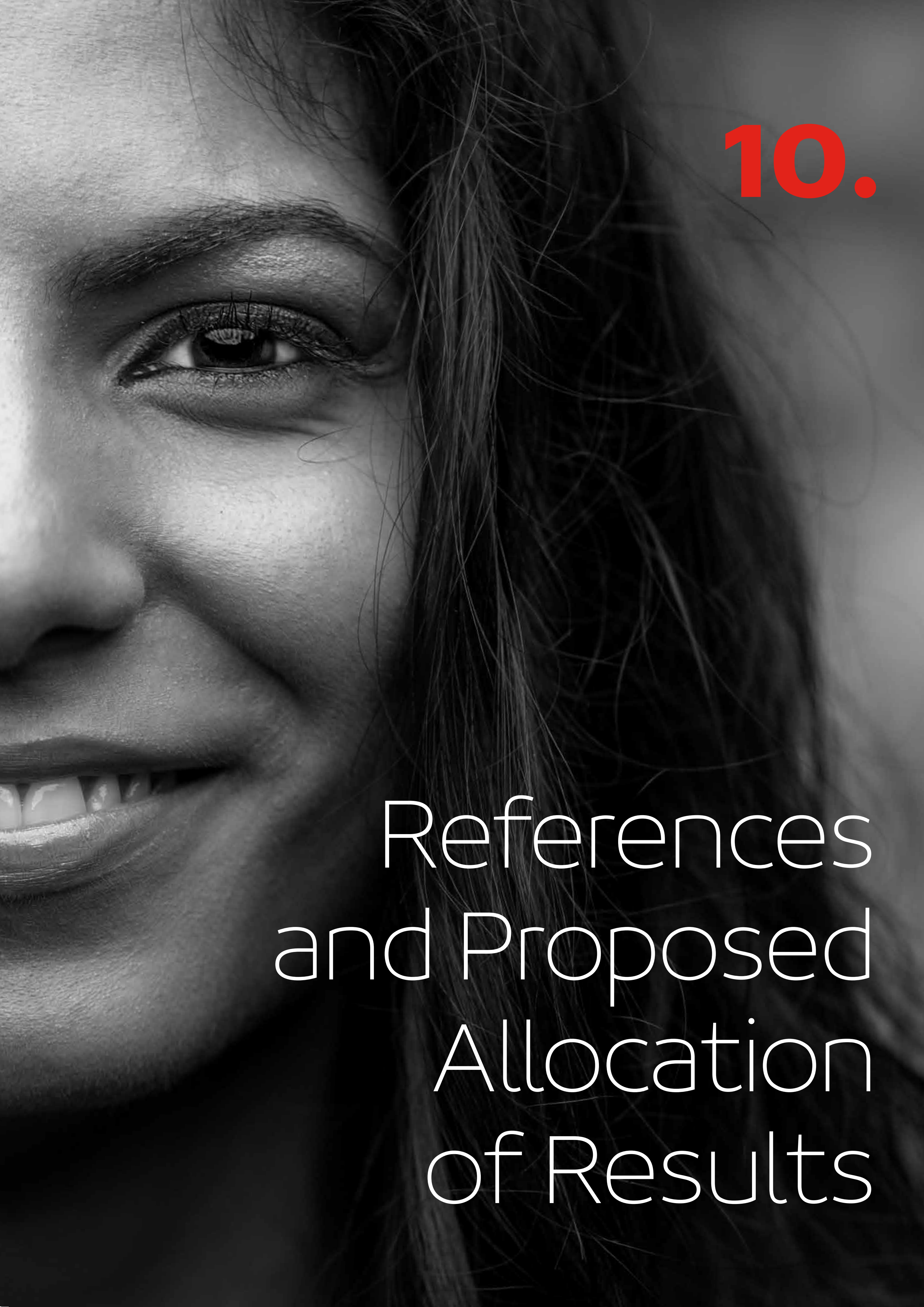
In April 2015, at the "Sala de Espera" gallery in Maputo's Central Station, the Kulungwana association opened the collective exhibition "COLECÇÃO CRESCENTE 2015", which Moza supports as part of its initiative to promote national art and culture. The exhibition includes works by nearly 77 Mozambican artists, both established and emerging. The works explore various styles, giving free rein to creativity, and are painted on 18x18cm fibreboard (MDF) panels. Through this project, Moza and Kulungwana aim to open up new spaces in which Mozambican artists can develop their ideas, not only stimulating artistic production but also creating new opportunities for the production and dissemination of national cultural values in their different artistic techniques.

Xiquitsi Project

Moza supports the Xiquitsi Project, one of the projects administered by the Kulungwana association, aimed at offering musical training to young people in choirs and orchestras, having created Mozambique's first classical music youth orchestra. Once a year, Kulungwana organizes the Maputo International Music Festival (eight editions to date). The festival brings together national and international artists, allowing a valuable exchange of experience and creating opportunities for young audiences in particular to get to know a type of music and a set of musical instruments that are less well known in Mozambique.

Support for Sports

Moza sponsored the national cadet and junior judo team's trip to Sharm el-Sheikh, Egypt, where they took part in the African Judo Championship. The national team won three bronze medals in the individual events. Moza also sponsored the **"Taça dos Combatentes"** soccer trophy, promoted by the Husband of the Governor of Gaza Province, and the **Marechal Samora Machel Half Marathon**, organized by the Samora Machel military academy in Nampula, with the participation of civilians and military personnel of both sexes.



10. References and Proposed Allocation of Results

10.1. References and Acknowledgements

The Board of Directors of Moza Banco acknowledges and thanks all those who have contributed to Moza's growth and establishment in the domestic market, in particular:

- Our customers for choosing us and for the faith they have shown in the Moza project;
- Our suppliers for their availability and understanding;
- The supervisory and governmental authorities for their support and cooperation;
- The Board of the General Meeting and the Supervisory Board for their collaboration over the year;
- Our shareholders for their faith in Moza's future;
- The members of corporate bodies that stood down during 2015;
- Our employees in general for their loyalty, professionalism and dedication to the Moza project.

10.2. Proposed Allocation of Results

The financial year ended 31 December 2015 gave rise to profit after tax totalling MZN 81.741.543. Accordingly, taking the legal and corporate requirements regarding mandatory reserves into account, the Bank's management propose that the net profit for the year be allocated as follows:

- 15% of the net profit for the year, MZN 12.261.231, to be transferred to legal reserves;
- 85% of the net profit for the year, MZN 69.480.312, to be transferred to retained earnings.

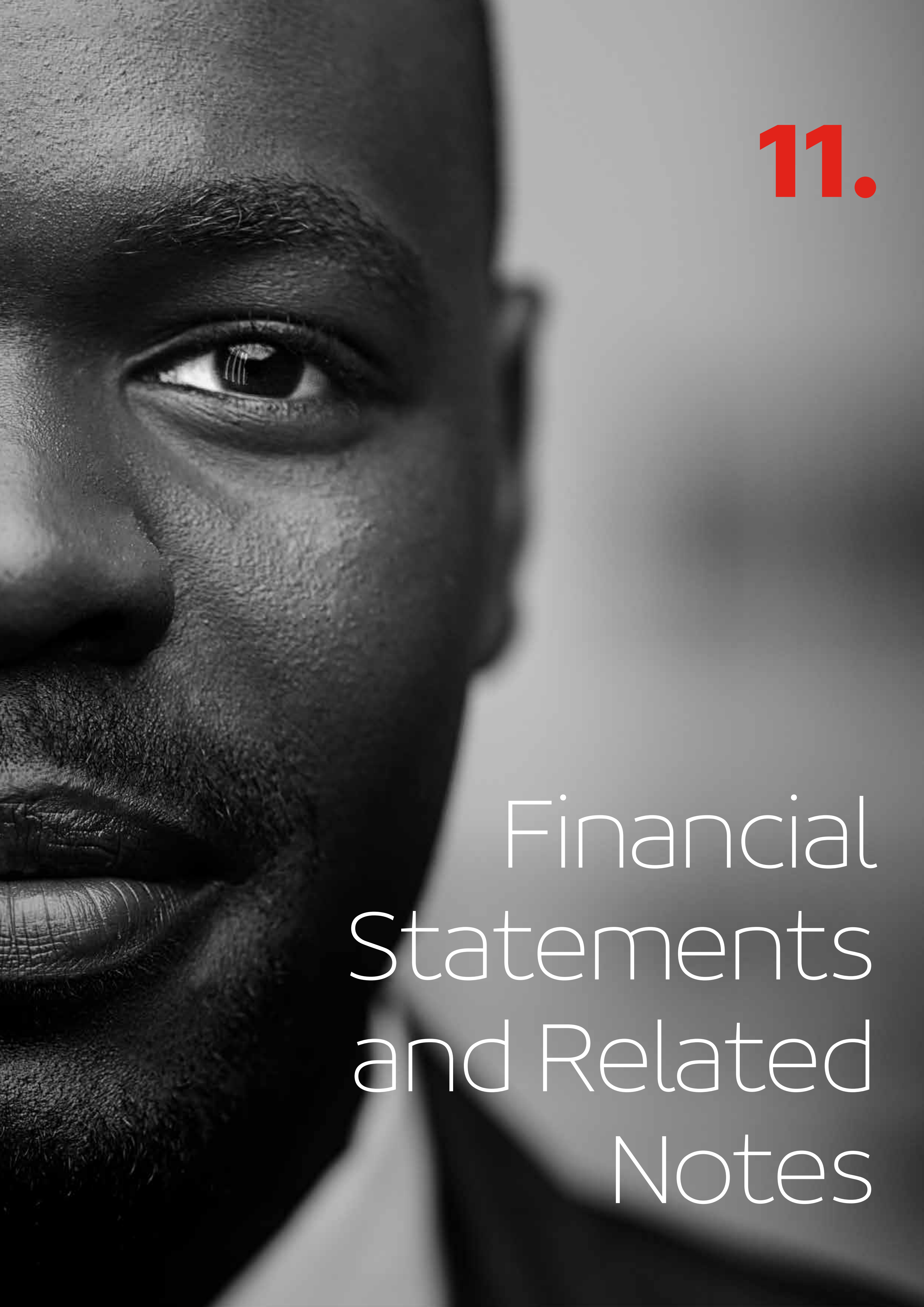
Thus, once the results have been allocated as proposed above, the structure of the shareholders' equity will be as follows:

	Balance at 31 Dec 2015 (before proposed allocation)	Proposal			Balance at 31 Dec 2015 (after proposed allocation)
		Legal reserve	Dividends	Accumulated earnings	
Capital	2.129.192.000				2.129.192.000
Legal reserve	49.287.168	12.261.231			61.548.399
Statutory reserves	(4.167.307)				(4.167.307)
Profit/(loss) for the previous year	184.848.656			69.480.312	254.328.968
Profit/(loss) for the year	81.741.543	(12.261.231)		(69.480.312)	0
	2.440.902.060				2.440.902.060

Maputo, 19 February 2016

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors



11. Financial Statements and Related Notes

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Bank's Directors are responsible for preparing and presenting the financial statements of Moza Banco, SA for the year ended 31 December 2015, which comprise the statement of financial position, the income statement, the statement of changes in equity and the statement of cash flows for that year and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

In preparing the Bank's financial statements, the Directors are responsible for:

> Planning, implementation and maintenance of an internal control system relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error;
> Select suitable accounting policies and then apply them consistently; and
> Make accounting estimates that are reasonable and prudent.

The Directors are also required to keep adequate accounting records and maintain an effective risk management system.

The Directors carried out an assessment to determine whether the Bank is able to continue as a going concern and have no reason to doubt the Bank's ability to continue to operate in accordance with the going concern principle in the near future.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of Moza Banco, SA, prepared in accordance with the first paragraph above, were approved by the Board of Directors on 29 February 2016 and were signed on the Board's behalf by:

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors

11.1. Financial Statements and Related Notes

INCOME STATEMENT

	Notes	2015	2014
Interest and similar income	4	2.588.062	2.003.923
Interest expense and similar charges	4	(1.862.806)	(1.224.836)
Net interest income	4	**725.255**	**779.087**
Fees and comission income	5	503.783	367.526
Fees and comission expense	5	(72.047)	(26.223)
Net fees and comission income	5	**431.735**	**341.303**
Net trading income	6	1.350.369	669.121
Operating income		**2.507.359**	**1.789.511**
Net impairment charge	16	(276.266)	(145.491)
Net operating income		**2.231.093**	**1.644.019**
Staff costs	7	(886.995)	(621.620)
Depreciation and amortization	19,20	(321.838)	(194.669)
Other operating expenses	8	(976.485)	(675.747)
Other operating income	8	44.903	27.368
Other operating income		**90.678**	**179.351**
Current tax	9	-	(15.157)
Deferred tax	9	(8.937)	(11.250)
Profit for the year		**81.741**	**152.944**
Earnings/(Loss) per share			
Basic	10	1,34	2,62
Diluted	10	1,34	2,62

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2015	2014
Profit for the year		**81.741**	**152.944**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available for sale financial assets	15	13.946	(42.959)
Income taxes	9	(2.231)	6.913
		11.715	(36.046)
Total comprehensive income for the year, net of tax		**93.456**	**116.899**

David Zavale
Accounting Technician

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors

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

STATEMENT OF FINANCIAL POSITION

	Notes	2015	2014
Assets			
Cash and balances with Central Bank	11	2.891.637	1.706.271
Deposits with banks	12	479.149	961.467
Loans and advances to banks	13	1.868.335	2.649.495
Financial assets held for trading	14	1.667.475	776.868
Available for sale financial assets	15	2.513.524	1.413.516
Loans and advances to customers	16	17.937.497	13.649.852
Other assets	17	1.492.487	215.010
Non-current assets held for sale	18	295.951	149.244
Property and equipment	19	1.410.092	1.075.527
Intangible assets	20	612.929	435.268
Current tax assets	21	100.550	64.789
Deferred tax assets	9	98.994	3.072
Total assets		**31.368.621**	**23.100.379**
Liabilities			
Deposits from banks	22	2.063.618	2.175.616
Deposits from customers	23	24.734.711	16.914.452
Consigned liabilities	24	403.393	205.179
Other liabilities	25	188.396	413.085
Debt securities	26	1.409.693	1.272.975
Deferred tax liability	9	127.908	20.818
Total liabilities		**28.927.720**	**21.002.126**
Shareholder's equity			
Share capital	27	2.129.192	1.880.000
Fair value reserve	15	(4.167)	(15.882)
Legal reserve	28	49.287	26.346
Retained earnings		184.849	54.846
Profit for the year		81.741	152.944
Total shareholder's equity and reserves		**2.440.902**	**2.098.253**
Total shareholder's equity and liabilities		**31.368.621**	**23.100.379**

David Zavale
Accounting Technician

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors

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

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Fair value reserve	Retained earnings	Profit/(Loss) for the year	Total equity
	(nota 27)	(nota 28)	(nota 15)			
Balance at 1 January 2014	**1.250.000**	**23.008**	**20.164**	**35.932**	**22.252**	**1.351.355**
Transfer for the last year profit	-	3.338	-	18.914	(22.252)	-
Capital issue	630.000	-	-	-	-	630.000
Fair value adjustment for avaliable for sale financial assets (note 15)	-	-	(42.959)	-	-	(42.959)
Deferred taxes (note 9)	-	-	6.913	-	-	6.913
Profit for the year	-	-	-	-	152.944	152.944
Balance at 31 December 2014	**1.880.000**	**26.346**	**(15.881)**	**54.846**	**152.944**	**2.098.254**
Sharecapital increase	249.192	-	-	-	-	249.192
Transfer for the last year loss	-	22.942	-	130.003	(152.944)	-
Fair value adjustment for avaliable for sale financial assets (note 15)	-	-	13.946	-	-	13.946
Deferred taxes (note 9)	-	-	(2.231)	-	-	(2.231)
Profit for the year	-	-	-	-	81.741	81.741
Balance at 31 December 2015	**2.129.192**	**49.287**	**(4.167)**	**184.849**	**81.741**	**2.440.901**

David Zavale
Accounting Technician

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors

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

STATEMENT OF CASH FLOWS

	2015	2014
Operating activities		
Profit before tax	90.678	179.352
Adjustments for:		
Depreciation and amortization	321.838	194.669
Net impairment charge	276.266	145.491
(Gains)/losses in held for trading	(375.913)	(9.303)
Accruals from available for sale financial assets	(4.590)	-
(Gains)/losses in property, plat and equipment disposals	(465)	(3)
Charge in operating assets	(7.891.498)	(6.915.231)
Charge in operating liability	7.590.662	7.209.648
Unrealized forex	(252.512)	-
Income taxes	(8.937)	(26.408)
Net cash flows from operating activities	**(254.470)**	**778.215**
Investing activities		
Acquisition of property, plant and equipment	(530.470)	(466.937)
Disposal of property, plant and equipment	6.394	459
Acquisition of intangible assest	(291.113)	(244.358)
Disposal of intangible asstes	4.909	-
Acquisition of available for sale investments	(1.511.687)	3.880
Reinbursement of available for sale investments	700.217	-
Cash flows (used in) from investing activities	**(1.621.750)**	**(706.956)**
Financing activities		
Increase of share capital	249.192	630.000
Allocated liabilities	198.214	205.179
Bonds issued	388.620	323.759
Bonds reimbursed	(251.901)	-
Cash flow used in financing activities	**584.125**	**1.158.939**
Increase in cash and cash equivalents	(1.292.096)	1.230.198
Cash and cash equivalents at begining of the year	4.103.662	2.873.463
Cash and cash equivalents at end of the year	**2.811.566**	**4.103.662**

Cash and cash equivalents are as follows:

	2015	2014
Cash and balance with Central Bank	2.891.637	1.706.271
Cash and balance with Central Bank reserves	(2.427.557)	(1.213.572)
Deposits with banks	479.149	961.467
Loans and advances to banks	1.868.335	2.649.495
	2.811.566	**4.103.662**

The decrease of cash flow from operating activities is due to the increase of mandatory monetary reserves issued by Mozambique Central Bank, from a ratio of 8.0% into 10.5%, in accordance with Aviso 12/GBM/2015, of 7 December 2015.

David Zavale
Accounting Technician

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors

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

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Moza Banco, S.A. (Moza Banco) is a private commercial bank, incorporated during 2007 for an undetermined period of time with its headquarters located in Maputo, being a subsidiary of Moçambique Capitais, S.A. and an associate of Novo Banco Africa, SGPS, S.A. (Portuguese Bank). Moza Banco is governed by its articles of association and all the relevant legislation applicable to the banking and financial sector in Mozambique.

Moza Banco's main activity is to provide universal banking services nationwide based on its 45 branch network (4th largest branch network of Mozambican banking system) and offering competitive products and services with an exceptional level of service to its Corporate, Private and Retail customers.

1. ACCOUNTING POLICIES

1.1. Basis of presentation

In compliance with the dispositions of Central Bank of Mozambique, the financial statements for the year ended 31 December 2015 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board ("IASB").

The presented financial statements have been prepared on the basis of the historical cost principle, modified by the application of fair value where specifically indicated otherwise in the accounting policies.

The preparation of the financial statements in conformity with IFRS requires the formulation of judgement, estimates and assumptions on the application of certain critical accounting policies. It also requires management to exercise its judgement in the process of applying the Bank´s accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Bank´s financial statements. The presented financial statements are expressed in thousands Mozambican Meticais and are identical to the financial statements prepared by the bank from its accounting record and approved by the general meeting of shareholders.

These financial statements were approved by the Board of Directors on 29 February 2016 and were approved by the Shareholders Meeting on the same date.

1.2. Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has used its judgement and made estimates in determining the amounts recognised in the financial statements. The associated estimates and assumptions are based on the Bank's past experience and other factors considered to be reasonable in accordance to the specific circumstances and as a basis for judgement on amounts of assets and liabilities, when not evident from other sources. The most relevant judgements and estimates are 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.

Impairment losses on loans and advances

The Bank reviews its performing and non-performing loans periodically to assess whether an impairment allowance should be recorded in profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment allowance required. Such estimates are based on past experience and assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

In addition to specific impairment allowance against individual significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific impairment, have a greater risk of default than when originally granted. This takes into consideration factors such as credit quality, namely the average ratio between the non-performing loans and the total portfolio, for the last two years.

The Bank considers that the periodic assessment of impairment based on the methodology presented enables management to adequately reflect the risk of its overall credit portfolio.

Fair value of financial instruments

When the fair value 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.

> **Level 1:** Listed market price (unadjusted) in an active market for an identical instrument;
> **Level 2:** Valuation techniques based on observable data, either directly (i.e. such as prices) or indirectly (i.e. deriving from prices). This category includes instruments valued at listed market prices in active markets for similar instruments; listed prices for identical or similar instruments in markets considered less active or other valuation techniques in which all input factors are either directly or indirectly observable from market data;
> **Level 3:** Valuation techniques using significant, non-observable input factors. This category includes all instruments whose valuation technique uses any input which is not based on observable data and when non-observable input has a significant effect on the instrument's valuation. This category includes instruments which are valued on the basis of the prices of similar instruments, whenever there is a need for significant, non-observable adjustments or assumptions to reflect the differences between the instruments.

The fair value of financial assets and liabilities traded in active markets is based on listed market prices or retail prices. The bank assesses the market value of all other financial instruments using valuation techniques.

The valuation techniques include net present value and discounted cash flow and other valuation models. Assumptions and input used in risk assessment techniques include free and reference interest rates, loan spreads and other premiums used to estimate discount rates, treasury bonds and bills prices and exchange rates. The objective of the valuation techniques is to obtain a fair value assessment which reflects a financial instrument's price which would have been assessed by market investors operating on a commercial basis at the date of the report.

Income tax

Income taxes (current and deferred) are determined by the Bank based on fiscal rules defined on fiscal legislation. 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 company 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.

1.3. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have being consistently applied to all the years presented, unless otherwise stated.

a) Foreign Exchange transaction (IAS 21)

These annual financial statements are presented in Mozambican Meticais which is the Bank's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency of the bank at the spot exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at the date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange spot rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of transaction. Foreign currency differences arising on translation are recognised in profit or loss.

The exchange rates used for the conversion of balances denominated in foreign currency are as follows:

	2015	2014
US Dollar	45,90	33,60
Euro	50,04	40,84
South African Rand	2,95	2,90

b) Financial instruments Initial recognition and subsequent measurement (IAS 32 and IAS39)

i) Date of recognition
Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the financial instrument.

ii) Initial recognition of financial instruments
The classification of financial instruments at initial recognition depends on the purpose to which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

iii) Day one profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in "Net trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

c) Financial instruments – Classification (IAS 39)

The classification of financial assets depends upon the objective for which the asset was acquired and its characteristics. The executive committee is responsible for defining the classification and initial recognition.

The Bank classifies its financial assets in accordance with the following categories: Financial assets held for trading, derivative financial instruments, available for sale financial instruments, held to maturity financial instruments and loans and accounts receivable.

i) Financial assets held for trading
Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income are recorded in profit or loss according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities equities that have been acquired principally for the purpose of selling in the near term. The Bank also makes use of derivative financial instruments, such as foreign exchange swaps and forex forwards.

ii) Available for sale financial instruments
Available-for-sale financial assets are those non-derivative financial assets that are designated as

available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial investments are measured at fair value, with the exception of the capital instruments not quoted in an active market whose fair value cannot be estimated reliably and, therefore, are recognised at cost.

Unrealised gain or loss on an available-for-sale financial asset is recognised in other comprehensive income and accumulated in equity. When the investment is disposed of, the cumulative gain or loss previously recognised ín equity is reclassified from equity through other comprehensive income into profit or loss. The losses arising from impairment of such investments are recognised in profit or loss in "Credit loss expense". Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

iii) Held to maturity financial instruments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "Interest and similar income" in profit or loss.

If the Bank sells or reclassifies more than insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category is tainted and is reclassified as available-for-sale. Whenever these circumstances exist, the Bank will not classify any financial asset as held to maturity during the following two years.

The Bank presents a nil balance for this category as of 31 December 2015 and 2014.

i) Loans and accounts receivable

Loans and accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention to trade the receivable.

After initial measurement, amounts due to banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in "Interest and similar income" in profit or loss. The losses arising from impairment are recognised in profit or loss under "Credit loss expense".

The Bank classifies its financial liabilities in accordance with the following categories: Loans and borrowings and financial liabilities at fair value through profit or loss.

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss as at 31 December 2015 and 2014.

ii) Loans and borrowings

This is the category most relevant to the Bank. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

d) Derecognition of financial assets and liabilities (IAS 32 and IAS 39)

Financial assets are derecognised when:

> the rights to receive cash flows from the asset have expired; and
> the Bank has transferred the rights to receive cash flows from an asset and either transferred substantially all of the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Financial liabilities are derecognised when:

> The obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same

lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

e) Amortized cost measurement

The "amortized cost" of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

f) Fair value measurement principles (IFRS 13)

The bank measures financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities whose fair values are measured on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

g) Impairment of financial assets (IAS 32 and IAS 39)

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred `loss event´) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and an indication from observable data that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

i) Available-for-sale financial investments

An asset recognized in this category is impaired when a significative decline in the fair value of an available-for-sale financial asset has been verified for a relevant period of time. "Significant" is evaluated against the original cost of the investment, and "long" against the period in which the fair value has been below its original cost.

If impairment is identified on an available for sale financial asset, the accumulated loss (measured as the difference between acquisition cost and fair value, excluding impairment losses previously recognised as a charge to the income statement) is transferred from reserves and recognised in the income statement. If, in a subsequent period, the fair value of debt instruments classified as available for sale increases and such an increase may be objectively associated with the occurrence of an event after the recognition of the impairment loss in the income statement, the impairment loss is reversed as a charge to the income statement.

When impairment losses recognized in equity instruments classified as available for sale are reversed, the reversal is recognized in reserves.

ii) Loans and advances to customers

For loans and advances to customers carried at amortized cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). 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. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Under the terms of IAS 39, the following events are considered to be signs of impairment on financial assets:

> Failure to comply with contractual clauses such as arrears of interest or capital;
> Incidents of defaults in the financial system;
> Any existing operations deriving from credit restructurings or credit restructuring negotiations in progress;
> Debtor or debt issuing entity's significant financial difficulties;
> Existence of a strong probability of a declaration of bankruptcy by the debtor or debt issuing entity;
> A decrease in the debtor's competiveness;
> Historical records of collections suggesting that the nominal value will never be fully recovered.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. The Bank´s collective impairment takes into consideration the average of the credit quality for the last two years. The credit quality is obtained via the ratio between the non-performing loans for which an identified impairment was raised and the total portfolio balance.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

iii) Held to maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is an objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to profit or loss.

iv) Restructured or renegotiated loans

Wherever possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

v) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using valuation models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

vi) Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value less cost to sell at the repossession date in line with the Bank's policy.

h) Offsetting financial instruments (IAS 32 and IAS 39)

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

i) Financial guarantees (IAS 37)

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of Management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

Any increase in the liability relating to guarantees is reported in profit or loss within other operating expenses.

j) Recognition of income and expense (IAS 18)

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Interest income and expense recognition
For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

If the value of a financial asset or group of financial assets has been reduced as the result of an impairment loss, the interest income is thereinafter recognised based on the interest rate used to discount the future cash flows for the purposes of quantifying the impairment loss.

ii) Fees and commission income
The Bank earns fee and commission income from a diverse range of 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 issuance 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.

iii) Net trading income
Net trading income includes gains and losses arising from transactions in foreign currency and translation of foreign currency monetary items. In addition, the bank recognized fair value gains or losses from its financial assets held for trading.

iv) Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuations techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

k) Cash and cash equivalents (IAS 32 and IAS 39)

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, unrestricted balances held with Bank of Mozambique and amounts due from other banks on demand and short-term highly liquid investments with maturities of three months or less and measured at amortized cost..

l) Non-current assets held-for-sale and discontinued operations (IFRS 5)

Non-current assets (or groups for disposal) are classified as held for sale whenever their balance sheet value is essentially expected to be recovered on sale and when this is considered to be highly probable. For an asset (or disposal group) to be classified in this account heading, the following requirements must be met:

1. There should be a strong probability of the sale;
2. The asset should be available for immediate sale in its present state; and
3. The sale should be expected to occur within a year from the asset's classification in the said heading.

Assets recognised in this account heading are not depreciated and are valued at their carrying amount or fair value, whichever the lesser, minus the costs incurred on the sale. The fair value of such assets is assessed on the basis of valuations carried out by specialised entities.

Management must be committed to the sale of the non-current assets and the sale is expected to take place within one year from the date of the classification.

Property, plant and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held-for-sale are presented separately in the statement of financial position.

m) Property and equipment (IAS 16)

Property and equipment used by the Bank during the course of its operations are recognised at their acquisition cost, minus depreciation and accumulated impairment losses. The subsequent costs are only recognised as a separate asset if they are likely to produce future economic benefits. Maintenance and repair and other expenses incurred on use are recognised in the income statement for the period in which they are incurred. The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably.

Depreciation is systematically calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, at each reporting date. The estimated useful lives are as follow:

	Years
Leased buildings	10
Equipment	10
Other	4—5

The bank regularly performs an adequacy test on the estimated useful lives of its tangible assets. Changes in assets' expected useful lives are recognised by changing the period or depreciation method, as appropriate, and recognised as changes in accounting estimates.

Expenses on buildings which are not owned by the bank are depreciated in accordance with a period compatible with their expected use or the rental contract.

Analyses designed to identify signs of impairment on tangible assets are periodically performed. An impairment loss is recognised in the income statement for the period whenever the net book value of tangible assets exceeds their recoverable value. The Bank reverses impairment losses in the income statement for the period if there is a subsequent increase in an asset's recoverable value.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the sales proceeds and the carrying amount of the asset) is recognised in "Other operating income" or "Other operating expense" in profit or loss in the year the asset is derecognised.

n) Intangible assets (IAS 38)

Intangible assets include the value of computer software (licences). Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software, and are amortized over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of software, from the date it is available for use. The estimated useful life of the software is 3-5 years.

o) Impairment of non-financial assets (IAS 36)

The Bank assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

p) Income Taxes (IAS 12)

i) Current tax

Current tax assets or liabilities are estimated on the basis of the amount expected to be recovered from or paid to the fiscal authorities. The legal rate of tax in force used to calculate the amount is the rate in force at the date of the balance sheet.

Current tax is calculated on the basis of taxable profit for the year, which is different from accounting income owing to adjustments to taxable income resulting from expenses or income which are not relevant for fiscal purposes or only considered in other accounting periods.

ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

> where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

> in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

q) Lease arrangements (IAS 17)

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Bank as a lessee

Leases which substantially transfer all of the risks and benefits attached to an asset's ownership to the bank are capitalised at the initial date of the agreement at the asset's fair value or the present value of the minimum lease payments, whichever the lesser and included in tangible assets, with the corresponding liability to the lessor being recognised in other liabilities.

Tangible assets acquired under leases are depreciated during the period of the lease or their useful lives, whichever the shorter period. Instalments relating to lease agreements are split up in accordance with the respective financial schedule, whose liabilities are reduced by the part corresponding to the payment of capital. The payment of interest is recognised in the income statement for the period.

Payments associated with operating leases are not recognised in the balance sheet. Operating lease payments are recognised as straight line expenditure for the period of the lease in the operating expenses account heading.

r) Dividends from ordinary shares (IAS 10)

Dividends from ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

s) Equity reserves (IAS 32 and IAS 39)

The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include Available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.

t) Inventories (IAS 2)

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, non-deductible tax, and other costs incurred in bringing the inventories to their present location and condition. Consumptions are valued at weighted average cost.

Eventual impairment losses or adjustments required to bring down the inventories' value to net realisable value are assessed on an annual basis and recognised in the statement of comprehensive income.

u) Standards issued but not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases

The IASB has issued IFRS 16 Leases that requires lessees to recognise most leases on their balance sheets. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard contains additional disclosure requirements for leasing arrangements entered into. The new standard will be effective from 1 January 2019 with limited early application permitted. The impact of the new standard on the Bank's financial statements is still to be assessed.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally appliedprospectively, with some limited exceptions. The Bank plans to adopt the new standard on the required effective date.

a. Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Bank expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Bank expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Bank expects that these will continue to be measured at amortized cost under IFRS 9. However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortized cost measurement under IFRS 9.

b. Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank does not expect this standard to have a significant impact on the Bank.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given thatthe Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank due to the fact that the Bank does not present investments in subsidiaries, joint ventures and associates.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. These amendments are not expected to have any impact on the Bank.

ANNUAL IMPROVEMENTS 2012-2014 CYCLE

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively. These amendments are not expected to have any material impact to the Bank.

IFRS 7 Financial Instruments: Disclosures

i) Servicing contracts

   The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

   The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are not expected to have any material impact to the Bank.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any material impact to the Bank.

IAS 34 Interim Financial Statements

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Bank.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

> The materiality requirements in IAS 1
> That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
> That entities have flexibility as to the order in which they present the notes to financial statements
> That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

2. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

New and amended standards and interpretations

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the financial statements of the Bank. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Bank, since none of the entities within the Bank has defined benefit plans with contributions from employees or third parties.

ANNUAL IMPROVEMENTS 2010-2012 CYCLE

The Bank has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Bank had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Bank's financial statements or accounting policies.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

> An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
> The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities The Bank has not applied the aggregation criteria in IFRS 8.12.

The Bank did not have any impact due to the fact that does not present operating segments.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact due to the fact that no revaluations were recognized in the year.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank as it does not receive any management services from other entities.

ANNUAL IMPROVEMENTS 2011-2013 CYCLE

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Bank does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Bank has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Bank.

Also, no changes occurred in the estimates, and no errors identified which could impact on the restatement of the comparative figures.

3. FINANCIAL RISK MANAGEMENTS, OBJECTIVES AND POLICIES

Risk management is based on the constant identification and analysis of exposure to different risks (credit, market, liquidity, operational or other risk), and the executing of strategies designed to maximise income in light of risks, pursuant to duly supervised pre-established restrictions.

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 its financial performance.

By their nature, the bank's activities are principally related to the use of financial instruments. The bank accepts deposits from customers at both fixed and floating rates and for various periods and seeks to earn above-average interest margins by investing these funds in high-quality assets. The bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

Thus the bank's risk management policies are designed to identify and analyse these risks to set appropriate risk limits and controls and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by the Risk Department under policies approved by the board of directors. This Department identifies, evaluates and hedges financial risks in close co-operation with the bank's operating units. The board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivative and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate risk and other price risk.

Pursuant to its ALM (asset-liability management) procedures, the Bank furthered its objective of ensuring the prudent management of its liquidity situation, capital expenditure and control of associated financial risks, particularly concentrating on liquidity, interest rate and currency risks.

The Compliance Division encompasses all of Banks's areas, processes and activities with the aim of aiding prevention activities and mitigating "compliance risks", which translate into the risk of legal or regulatory sanctions, financial or reputational losses as a consequence of a failure to comply with laws, regulations, codes of conduct and good banking practice, promoting Bank's and its staff's compliance with all applicable standards by means of its independent intervention, in conjunction with all of the bank's organic bodies.

A qualitative overview of risk management at the Bank is presented below:

3.1. Credit risk

Credit risk is the risk that the Bank may suffer financial loss should any of the Bank's customers, clients or market counterparties fail to honour their contractual obligations to the Bank. Counterparties could include governments, other banks, non-banking institutions, corporations and individuals. Credit risk may also arise if a financial institution´s credit rating was to be downgraded, causing the fair value of the Bank's investment in that institution´s financial instrument to decline. The credit risk that the Bank faces arises mainly from commercial and consumer loans and advances. The Bank has policies, procedures and processes dedicated to controlling and monitoring risk from all such activities.

While credit exposures principally arise in loans and advances, the Bank can be exposed to other credit risks. These exposures comprise loan commitments, contingent liabilities, debt securities and other exposures arising in the course of trading activities. The risks are managed in a similar way to those in loans and advances, and are subject to the same or similar approval and governance processes.

The exposure to risk based on the credit profile of the Bank is monitored and managed through the daily tracking of limits and excesses. The Bank monitors concentrations of credit risk that arise by type of customer in relation to the Bank's loans and advances to customers by carrying a balanced portfolio.

Maximum exposure to credit risk per class of financial asset

For financial assets recognised in the statement of financial position, the exposure to credit risk equals the carrying amount. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee was called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the undrawn amount of the committed facilities. In terms of guarantees and letters of credit, the bank is also exposed to liquidity risk to the same extent if the guarantees and letters of credit were called upon.

The following represents the maximum exposure as of 31 December 2015 and 31 December 2014 to credit risk on the statement of financial position and off financial position financial instruments before taking account of any collateral held. The Bank holds collateral as security for Loans and advances to customers in the form of mortgage on property and pledge on equipment, letter of credit, term deposits, and others.

Credit risk exposure relating to on statement of financial position	2015	2014
Cash and balances with Central Bank	2.891.637	1.706.271
Deposits with banks	479.149	961.467
Loans and advances to banks	1.868.335	2.649.495
Financial assets held for trading	1.644.212	776.868
Available for sale financial assets	2.510.842	1.413.516
Loans and advances to customers	17.937.497	13.649.852
Other assets	117.562	-
Total assets per statement of financial position	**27.449.236**	**21.157.469**
Credit risk exposure relating to items off balance sheet		
Guarantees	3.126.166	2.793.474
Letters of credit	1.264.802	1.606.171
	4.390.968	**4.399.645**
Total amount exposure to credit risk	**31.840.204**	**25.557.115**

Credit quality:

For the purposes of the Bank's disclosure regarding credit quality, the financial assets have been analyzed as follows:

2015	Performing financial assets	Non performing financial assets	Impaired allowances	Total
Cash and balances with Central Bank	2.891.637	-	-	**2.891.637**
Deposits with banks	479.149	-	-	**479.149**
Loans and advances to banks	1.868.335	-	-	**1.868.335**
Financial assets held for trading	1.644.212	-	-	**1.644.212**
Available for sale financial assets	2.510.842	-	-	**2.510.842**
Loans and advances to customers	18.032.366	419.733	(514.602)	**17.937.497**
Other assets	117.562	-	-	**117.562**
Total	**27.544.105**	**419.733**	**(514.602)**	**27.449.236**

2014	Performing financial assets	Non performing financial assets	Impaired allowances	Total
Cash and balances with Central Bank	1.706.271	-	-	**1.706.271**
Deposits with banks	961.467	-	-	**961.467**
Loans and advances to banks	2.649.495	-	-	**2.649.495**
Financial assets held for trading	776.868	-	-	**776.868**
Available for sale financial assets	1.413.516	-	-	**1.413.516**
Loans and advances to customers	13.707.669	311.015	(368.832)	**13.649.852**
Other assets	-	-	-	-
Total	**21.215.287**	**311.015**	**(368.832)**	**21.157.469**

2015	Amount	Impairment allowance	Net exposure
Performing loans (without credit triggers)	16.579.592	**214.267**	**16.365.326**
Non performing loans (with credit triggers)	1.872.507	**300.335**	**1.572.172**
Overdue exposure	419.733		
Exposure with evidence of Impairment	1.452.774		
	18.452.099	**514.602**	**17.937.497**

2014	Amount	Impairment allowance	Net exposure
Performing loans (without credit triggers)	13.076.378	**135.736**	**12.940.642**
Non performing loans (with credit triggers)	942.306	**233.096**	**709.210**
Overdue exposure	311.015		
Exposure with evidence of Impairment	631.291		
	14.018.685	**368.832**	**13.649.852**

Non performing loans includes the total exposure of the customers with overdue instalments and all outstanding instalments of loans that already have overdue instalments. At 31 December 2015, the non-performing exposure amounted to MZN 419.7 million (2014: MZN 311.0 million).

Performing and non-performing loans per product as of 31 December 2015 and 2014 are as follows:

2015	Loans	Current accounts and bank overdrafts	Consumer loans	Mortgages	Others	Total
Performing loans without impairment triggers	5.947.821	4.689.627	4.440.209	870.133	631.803	**16.579.592**
Impairment Allowances	(36.857)	(75.292)	(68.554)	(2.612)	(30.952)	**(214.267)**
Non performing loans with impairment triggers	218.988	465.879	1.102.386	69.703	15.552	**1.872.507**
Impairment Allowances	(3.724)	(142.381)	(143.140)	(8.768)	(2.322)	**(300.335)**
Total	**6.126.227**	**4.937.833**	**5.330.900**	**928.457**	**614.080**	**17.937.497**

2014	Loans	Current accounts and bank overdrafts	Consumer loans	Mortgages	Others	Total
Performing loans without impairment triggers	4.798.682	3.952.795	3.008.907	627.050	688.944	**13.076.378**
Impairment Allowances	(40.915)	(48.234)	(28.738)	(6.449)	(11.399)	**(135.736)**
Non performing loans with impairment triggers	7.019	216.161	419.154	25.688	274.285	**942.306**
Impairment Allowances	(84)	(71.603)	(87.228)	(9.217)	(64.964)	**(233.096)**
Total	**4.764.702**	**4.049.118**	**3.312.095**	**637.070**	**886.866**	**13.649.852**

The following breakdown presents non-performing loans by default category and related impairment allowances (individual impairment assessment) as of 31 December 2015 and 2014:

2015	Bellow 3 months	Between 3 and 6 months	Between 6 and 12 months	Above 12 months	Total
Non performing loans (NPL)	170.974	7.053	24.228	217.478	419.733
Alocated impairment allowances	(54.950)	(62.746)	(7.278)	(171.031)	(296.006)
Coverage ratio (Impairment/NPL)	32%	890%	30%	79%	71%
Total	**116.023**	**(55.693)**	**16.951**	**46.446**	**123.727**

2014	Bellow 3 months	Between 3 and 6 months	Between 6 and 12 months	Above 12 months	Total
Non performing loans (NPL)	80.409	18.199	72.875	139.532	311.015
Alocated impairment allowances	(51.410)	(9.995)	(36.596)	(135.095)	(233.096)
Coverage ratio (Impairment/NPL)	63,94%	54,92%	50,22%	96,82%	74,95%
Total	**28.999**	**8.204**	**36.279**	**4.437**	**77.919**

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

The Bank also obtains guarantees from the parent company for loans to be granted to its subsidiaries and associates.

2015		Fair value of collateral and credit risk enhancements held				Net colateral	Net exposure
	Maximum exposure to credit risk	Cash	Letter of credit / guarantees	Property	Other		
Deposits with banks	479.149	-	-	-	-	-	479.149
Loans and advances to banks	1.868.335	-	-	-	-	-	1.868.335
Financial assets held for trading	1.667.475	-	-	-	-	-	1.667.475
Available for sale financial instruments	2.513.524	-	-	-	-	-	2.513.524
Loans and advances to customers							
Corporate lending	8.960.392	469.995	2.185.773	1.889.604	737.240	5.282.612	3.677.780
Small and medium size companies	5.908.672	247.188	145.561	4.171.730	1.114.337	5.678.816	229.856
Individual	2.947.412	429.090	-	1.378.882	41.726	1.849.698	1.097.714
Other	635.623	2.236	-	521.262	60.761	584.259	51.364
Other assets	117.562	-	-	-	-	-	117.562
	25.098.146	**1.148.509**	**2.331.334**	**7.961.477**	**1.954.065**	**13.395.385**	**11.702.761**

2014		Fair value of collateral and credit risk enhancements held				Net colateral	Net exposure
	Maximum exposure to credit risk	Cash	Letter of credit / guarantees	Property	Other		
Deposits with banks	961.467	-	-	-	-	-	961.467
Loans and advances to banks	2.649.495	-	-	-	-	-	2.649.495
Financial assets held for trading	776.868	-	-	-	-	-	776.868
Available for sale financial instruments	1.413.516	-	-	-	-	-	1.413.516
Loans and advances to customers							
Corporate lending	6.929.367	405.660	2.944.271	2.015.117	168.483	5.533.531	1.395.836
Small and medium size companies	4.673.843	252.744	-	4.964.715	811.213	6.028.672	(1.354.829)
Individual	1.972.528	270.711	-	994.964	32.233	1.297.907	674.620
Other	442.947	-	-	241.240	174	241.414	201.533
	19.820.030	**929.115**	**2.944.271**	**8.216.036**	**1.012.103**	**13.101.525**	**6.718.506**

The Bank considers 80% of the property fair value as a prudent hair-cut to measure collateral.

Renegotiated financial assets

A customer who becomes past due and temporarily cannot afford to pay the arrears or the monthly instalment may qualify for a remediation period in which to try and rectify the situation. On expiry of the remediation period the customer's situation is re-assessed and the settlement of the account or the renegotiation of the terms of the agreement is explored.

Renegotiated assets comprise loans that have moved from the non performing book into the performing book in the last 12 months after having been restructured. In practice loans will not be renegotiated more than once in a twelve month period.

Financial assets that are past due, but not impaired

These relate to loans and advances to customers where contractual interest or principal payments are past due but the Bank considers it inappropriate to recognize an impairment loss given the level of collateral provided. The Bank has no loans that are past due but not impaired.

Financial assets individually assessed as impaired

The Bank regularly assesses whether there is objective evidence that a financial asset or a portfolio of financial assets carried at amortized cost is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the reporting date ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  i) adverse changes in the payment status of borrowers in the portfolio;
  ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.
  iii) deterioration in the value of collateral; and
  iv) deterioration of the borrower's competitive position.

The Bank's credit policy considers a default or delinquency to have occurred with regard to a particular borrower when one or both of the following events have taken place:

- the Bank considers that the borrower is unlikely to pay its credit obligation in full, without recourse by the Bank to actions such as realising any security held;
- If the obligor becomes in breach of any of the terms of the loan agreement, which might include failure to achieve certain financial performance loan covenants.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. All exposures flagged as being in default are assessed individually for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The methodology and assumptions used for estimating future cash flows are reviewed periodically to reduce any differences between loss estimates and actual loss experience.

Write-offs

The Bank establishes, through charges against profit, an impairment allowance for the incurred loss inherent in the lending book. After an advance has been identified as impaired and is subject to an impairment allowance, the stage may be reached whereby it is concluded that there is no realistic prospect of further recovery.

Write-off will occur, when, and to the extent that, the whole or part of a debt is considered irrecoverable. The timing and extent of write-offs may involve some element of subjective judgement. Nevertheless, a write-off will often be prompted by a specific event, such as the inception of insolvency proceedings or other formal recovery action, which makes it possible to establish that some or the entire advance is beyond realistic prospect of recovery.

Such assets are only written off once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are written back and hence decrease the amount of the reported loan impairment charge in the income statement.

An analysis of loans and advances to customers assessed as impaired is as follows:

2015	Original carrying amount	Individual impairment	Collective impairment	Revised carrying amount
Retail	3.923.816	147.536	32.290	3.743.990
Construction	1.832.460	12.803	16.857	1.802.799
Energy	769.188	2.424	150	766.614
Tourism and hospitality	464.205	4.528	3.762	455.916
Manufacturing	3.309.131	127.904	4.377	3.176.850
Individual	3.425.463	31.002	52.384	3.342.078
Services	2.110.350	12.956	16.692	2.080.702
Transport and comunication	2.504.518	37.147	7.192	2.460.179
Agriculture and fishing	102.976	893	3.355	98.728
Other	9.993	253	97	9.643
	18.452.099	**377.446**	**137.156**	**17.937.497**

2014	Original carrying amount	Individual impairment	Collective impairment	Revised carrying amount
Retail	3.100.674	65.079	35.413	3.000.181
Construction	1.001.078	27.070	8.029	965.979
Energy	658.548	-	-	658.548
Tourism and hospitality	407.430	3.944	3.997	399.489
Manufacturing	2.218.315	5.348	12.183	2.200.785
Individual	2.357.694	96.143	23.893	2.237.658
Services	101.723	9.294	875	91.554
Transport and comunication	2.015.134	3.903	21.996	1.989.234
Agriculture and fishing	1.440.153	39.912	4.412	1.395.829
Other	717.937	169	7.173	710.594
	14.018.685	**250.863**	**117.970**	**13.649.852**

Credit risk concentrations

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The concentrations of credit exposure described below are not proportionally related to credit loss. Some segments of the Bank's portfolio have and are expected to have proportionally higher credit charges in relation to the exposure than others.

Analysis of credit risk concentrations by industry:

2015	Cash and balances with Central Bank	Deposits with banks	Loans and advances to banks	Financial assets held for trading	Available for sale financial assets	Loans and advances to customers	Other assets	Total
Government	2.472.465	-	-	981.101	1.259.345	-	-	4.712.911
Insurance	-	-	-	23.263	-	-	-	23.263
Finance	-	479.149	1.868.335	60.240	310.332	-	-	2.718.057
Oil and Gas	-	-	-	75.085	293.313	-	-	368.398
Retail	-	-	-	-	-	3.743.990	-	3.743.990
Construction	-	-	-	-	-	1.802.799	-	1.802.799
Energy	-	-	-	-	-	766.614	-	766.614
Tourism and hospitality	-	-	-	-	-	455.916	-	455.916
Manufacturing	-	-	-	-	-	3.176.850	-	3.176.850
Individual	-	-	-	-	-	3.342.078	-	3.342.078
Services	-	-	-	-	-	2.080.702	-	2.080.702
Transport and comunication	-	-	-	-	-	2.460.179	-	2.460.179
Agriculture and fishing	-	-	-	-	650.534	98.728	-	749.262
Other	419.173	-	-	527.786	-	9.643	117.562	1.074.164
	2.891.637	**479.149**	**1.868.335**	**1.667.475**	**2.513.524**	**17.937.497**	**117.562**	**27.475.181**

2014	Cash and balances with Central Bank	Deposits with banks	Loans and advances to banks	Financial assets held for trading	Available for sale financial assets	Loans and advances to customers		Total
Government	1.353.481	-	-	420.259	437.362	-		2.211.101
Insurance	-	-	-	23.263	-	-		23.263
Finance	-	961.467	2.649.495	56.592	164.094	-		3.831.647
Oil and Gas	-	-	-	276.755	287.152	-		563.907
Retail	-	-	-	-	-	3.000.181		3.000.181
Construction	-	-	-	-	-	965.979		965.979
Energy	-	-	-	-	-	658.548		658.548
Tourism and hospitality	-	-	-	-	-	399.489		399.489
Manufacturing	-	-	-	-	-	2.200.785		2.200.785
Individual	-	-	-	-	-	2.237.658		2.237.658
Services	-	-	-	-	-	1.989.234		1.989.234
Transport and comunication	-	-	-	-	-	1.395.829	-	1.395.829
Agriculture and fishing	-	-	-	-	524.908	91.554		616.463
Other	352.790	-	-	-	-	710.594		1.063.385
	1.706.271	**961.467**	**2.649.495**	**776.869**	**1.413.516**	**13.649.851**		**21.157.469**

3.2. Liquidity risk management

The Assets and Liabilities Management Committee (ALCO) is responsible for managing liquidity risk in the bank. It operates within the prudential guidelines and policies established by the board of Directors. ALCO meetings are held monthly. The Treasury division is primarily responsible for effecting the decisions of ALCO. Liquidity is assessed by currency as well as by time bracket.

Liquidity management is dependent upon accurate cash flow projections and the monitoring of the Bank's future funding requirements.

More specifically, the Bank's liquidity management process, as carried out within the bank and monitored by a separate team in the treasury department, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in local and regional money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The Starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Contractual maturities of liabilities

The table below summarises the financial liabilities at 31 December 2015 and 31 December 2014:

2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Deposits from banks	262.821	1.800.797	-	-	-	2.063.618
Deposits from customers	10.935.938	7.796.061	5.999.005	787	2.920	24.734.711
Consigned liabilities	-	-	25.151	378.242	-	403.393
Debt securities issued	-	-	270.240	388.547	750.906	1.409.693
Other liabilities	188.396	-	-	-	-	188.396
Total liabilities	**11.387.154**	**9.596.858**	**6.294.396**	**767.576**	**753.826**	**28.799.811**

2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Deposits from banks	929.787	1.245.828	-	-	-	2.175.616
Deposits from customers	6.268.429	5.613.976	4.714.254	645	317.147	16.914.452
Consigned liabilities	-	-	-	205.179	-	205.179
Debt securities issued	-	-	-	522.068	750.906	1.272.975
Other liabilities	304.634	-	-	-	-	304.634
Total liabilities	**7.502.850**	**6.859.805**	**4.714.254**	**727.893**	**1.068.054**	**20.872.856**

All amounts relating to 1 year and greater are expected to be recovered or settled more than 12 months after the reporting period.

3.3. 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.

3.3.1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored on a daily basis. Financial instruments with cash flow interest rate risk, comprise deposits and balances due from other banks, loans and advances to customers, customer deposits, and amounts due to other banks.

Management policy and strategy, related with interest rate risk are defined by the ALCO committee, implemented by the Treasury Division and controlled by the Risk Management Division.

2015	Less then 3 months	3 to 12 months	> 1 Year	Non interest bearing	Total
Financial assets					
Cash and balance with Central Bank	2.891.637	-	-	-	2.891.637
Deposits with banks	-	-	-	479.149	479.149
Loans and advances to banks	1.831.830	36.505	-	-	1.868.335
Financial assets held for trading	669.609	388.826	209.864	399.176	1.667.475
Available for sale financial instruments	-	396.607	2.114.235	2.682	2.513.524
Loans and advances to customers	1.993.105	2.811.534	13.210.774	-	18.015.413
Other assets	-	-	-	117.562	117.562
Total assets	**7.386.182**	**3.633.473**	**15.534.873**	**998.570**	**27.553.097**
Financial liabilities					
Deposits from banks	2.063.618	-	-	-	2.063.618
Deposits from customers	17.235.985	5.999.005	3.706	1.496.014	24.734.711
Consigned liabilities	-	25.151	378.242	-	403.393
Debt securities issued	-	397.037	1.012.656	-	1.409.693
Other liabilities	188.396	-	-	188.396	188.396
Total liabilities	**19.487.999**	**6.421.193**	**1.394.605**	**1.684.410**	**28.611.415**
On statement of financial position interest sensitivity gaps	**(12.101.817)**	**(2.787.721)**	**14.140.268**	**(685.841)**	**(1.058.318)**

2014	Less then 3 months	3 to 12 months	> 1 Year	Non interest bearing	Total
Financial assets					
Cash and balance with Central Bank	1.706.271	-	-	-	1.706.271
Due from banks	-	-	-	961.467	961.467
Placements with other banks	2.649.495	-	-	-	2.649.495
Financial assets held for trading	309.123	398.819	45.663	23.263	776.868
Available for sale financial instruments	-	190.083	1.220.751	2.682	1.413.516
Loans and advances to customers	2.584.144	3.002.033	8.432.508	-	14.018.685
Total assets	**7.249.033**	**3.590.935**	**9.698.921**	**987.412**	**21.526.302**
Financial liabilities					
Deposits from banks	929.787	1.245.828	-	-	2.175.616
Deposits from customers	11.882.405	4.714.254	317.793	-	16.914.452
Debt securities issued	-	-	205.179	-	205.179
Hedge derivative	-	-	1.272.975	-	1.272.975
Total undiscounted liabilities	**12.812.192**	**5.960.083**	**1.795.946**	**-**	**20.568.221**
On statement of financial position interest sensitivity gaps	**(5.563.159)**	**(2.369.147)**	**7.902.975**	**987.412**	**958.080**

The following table demonstrates the sensitivity of the Bank's income statement to a reasonable possible change in interest rates (all other variables held constant).

The sensitivity of profit or loss is the effect of the assumed changes in interest rates (essentially the FPC interest rate) on the profit for a year. Based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2015 and 31 December 2014, the effect is as follows:

	Increase/Decrease in basis points	Effect in profit/ (loss) after tax
2015	+75pb	(2.150)
	-75pb	2.150
2014	+50pb	(1.195)
	-50pb	1.195

3.3.2. Foreign exchange risk

Exchange rate risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has sets limits on positions by currency. In accordance with the Bank's policy, positions are monitored on a daily basis to ensure positions are maintained within established limits.

Management policy and strategy, relation with foreign exchange rate risk are defined by the ALCO committee, implemented by the Treasury Division and controlled by the Risk Management Division.

The following table summarizes Bank's exposure to foreign currency risk, as 31 December 2015 and 31 December 2014:

2015	MZN	USD	ZAR	EUR	Other	Total
Financial assets						
Cash and balances with Central Bank	2.621.411	232.512	13.310	23.946	459	2.891.637
Deposits with banks	304.935	137.511	3.740	32.944	19	479.149
Loans and advances to banks	28.000	1.628.418	36.750	175.148	19	1.868.335
Financial assets held for trading	1.667.475	-	-	-	-	1.667.475
Available for sale financial assets	1.607.582	905.943	-	-	-	2.513.524
Loans and advances to customers	15.931.852	2.082.372	1	1.189	-	18.015.413
Other assets	117.562	-	-	-	-	117.562
	22.278.817	**4.986.756**	**53.801**	**233.227**	**497**	**27.553.097**
Financial liabilities						
Deposits from banks	1.650.482	413.136	-	-	-	2.063.618
Deposits from customers	20.361.245	3.836.162	37.790	81.653	417.861	24.734.711
Consigned liabilities	403.393	-	-	-	-	403.393
Debt securities issued	1.409.693	-	-	-	-	1.409.693
	23.824.814	**4.249.298**	**37.790**	**81.653**	**417.861**	**28.611.415**
Net exposure	**(1.545.997)**	**737.458**	**16.011**	**151.574**	**(417.364)**	**(1.058.318)**

2014	MZN	USD	ZAR	EUR	Other	Total
Financial assets						
Cash and balances with Central Bank	1.501.708	164.499	12.439	27.412	214	1.706.271
Deposits with banks	268.639	608.670	17.133	50.089	16.936	961.467
Loans and advances to banks	1.648.661	540.142	-	6	460.686	2.649.495
Financial assets held for trading	776.868	-	-	-	-	776.868
Available for sale financial assets	440.044	973.472	-	-	-	1.413.516
Loans and advances to customers	12.114.128	1.535.718	-	8	(2)	13.649.852
Other assets	2.317.414	(2.087.472)	7.543	9.003	(78.566)	167.922
	19.067.461	**1.735.029**	**37.115**	**86.518**	**399.267**	**21.325.391**
Financial liabilities						
Deposits from banks	1.899.708	275.908	-	-	-	2.175.616
Deposits from customers	14.975.840	1.416.992	36.294	79.245	406.082	16.914.452
Consigned liabilities	205.179	-	-	-	-	205.179
Debt securities issued	1.272.975	-	-	-	-	1.272.975
Other liabilities	449.299	11.183	833	7.274	127	468.716
	18.803.001	**1.704.083**	**37.128**	**86.519**	**406.208**	**21.036.938**
Net exposure	**264.461**	**30.946**	**(12)**	**(0)**	**(6.941)**	**288.453**

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The impact in the Bank profit/(loss) before tax is the same in equity.

	Change in USD Rate	Effect in profit/loss after tax
2015	+6%	44.247
	-6%	(44.247)
2014	+5%	(1.547)
	-5%	1.547

Individual effects on profit (or loss) for the period and on equity are determined on a standalone basis for each currency, excluding the proven correlation effect between currencies.

3.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk, but excludes business, strategic and reputational risk.

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks it aims to be able to manage them. Operational risk can be divided into high frequency/low severity events which can occur frequently but in which each event exposes the bank to low levels of losses and low frequency/high severity events, which are normally rare but entail enormous losses to the organization when they occur.

The bank endeavours to mitigate these risks through a strong corporate governance structure and internal control systems that include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Management is responsible for introducing and maintaining effective operational processes and procedures and these are documented in various manuals that are periodically reviewed to take account of any need for change. The Internal Audit Department reviews the efficacy of internal controls and procedures, recommending improvements to management where applicable.

3.5. Capital Management and Solvency Risk

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 Central Bank of Mozambique.

The primary objectives of the Bank's capital management are to ensure that:

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

Capital adequacy and the use of regulatory capital are monitored regularly by the bank's management, employing techniques based on the guidelines set out by the Bank of Mozambique for supervisory purposes. The required information is filed with the Central bank on a monthly basis. The Central bank requires each bank to maintain a ratio of total regulatory capital to the risk-weighted assets (the 'capital adequacy ratio') at or above the minimum of 8%.

The bank's regulatory capital as managed by its Risk Management Department is divided into two tiers:

> Tier 1 capital: share capital (net of any book values of the treasury shares), retained earnings and reserves; and
> Tier 2 capital: qualifying subordinated capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance-sheet exposure with some adjustments to reflect the more contingent nature of the potential losses.

The following table summarises the calculation of the capital adequacy ratio of the Bank for the year ended 31 December 2015 and 31 December 2014 as per the requirements of Central Bank of Mozambique:

Amounts expressed in thousands of Meticais

	2015	2014
Basic Capital (Tier I)		
Share capital	2.129.192	1.880.000
Elegible reserves and retained earnings	234.136	81.192
Intangible assets	(612.929)	(435.268)
Impairment provisions gap	(569.058)	(294.388)
Basic Capital (Tier I)	**1.181.341**	**1.231.536**
Complementary Capital (Core Tier II)		
Elegible Subordinated Debt	590.670	615.768
Other	2.187	1.868
Complementary Capital (Core Tier II)	**592.858**	**617.636**
Elegible Capital Assets (RWA)	**1.774.198**	**1.849.172**
Risk weighted Assets (RWA)		
Balance Sheet	14.984.760	12.738.937
Off Balance Sheet	2.512.507	2.207.326
Operational and market risk	342 576	2.736.484
Total risk weighted Assets	**17.839.843**	**17.682.747**
Solvency ratios		
Core Tier I	6,62%	6,96%
Lower Tier II	3,32%	3,49%
Solvency Ratio	**9,95%**	**10,46%**
Solvency Ratio (Minimum required)	8,00%	8,00%

* It is the calculated gap between the impairment allowances according to the central Bank and the model of impairment of Moza.

4. NET INTEREST INCOME

Net interest income breaks down as follows:

	2015	2014
Interest and similar income		
Interest from loans and advances	2.354.368	1.763.431
Interest from deposits with banks	21.567	41.192
Interest from available for sale financial assets	212.126	199.301
	2.588.062	**2.003.923**
Interest expense and similar charges		
Interest from amounts due to customers	1.436.649	988.177
Interest from allocated liabilities	35.381	-
Interest from debt securities	61.951	43.625
Interest from subordinated debt securities	108.750	108.750
Interest from deposits from central banks and other banks	220.075	84.284
	1.862.806	**1.224.836**
	725.255	**779.087**

5. NET FEE AND COMMISSION INCOME

This item breaks down as follows:

	2015	2014
Fees and comission income		
From guarantees granted	122.238	105.971
From banking services	200.130	138.578
Other fee and commission income	181.414	122.977
	503.783	**367.526**
Fees and comission expense		
From guarantees received	6.401	4.081
From banking services provided by third parties	18.478	15.773
VISA and Mastercard	36.101	5.385
Other fee and comissions expense	11.068	984
	72.047	**26.223**
	431.735	**341.303**

6. NET TRADING INCOME

Net trading income breaks down as follows:

	2015	2014
Trading income		
Foreign exchange gains	907.766	623.532
Gain in financial assets held for trading (Note 14)	375.913	9.303
Other trading income	66.689	87.710
	1.350.369	**720.544**
Trading loss		
Other trading expenses	-	51.424
	-	**51.424**
Other trading expenses	**1.350.369**	**669.121**

7. STAFF COSTS

Staff costs breaks down as follows:

	2015	2014
Wages and salaries	859.198	604.324
Taxes	27.797	17.296
	886.995	**621.620**

8. NET OPERATING EXPENSES

This item breaks down as follows:

	2015	2014
Communications	99.494	77.515
Consultancy and professional services	203.115	124.939
Consumables	39.658	57.531
Maintenance and related services	140.709	78.706
Marketing expenses	41.045	30.440
Property rentals	245.098	186.694
Water, energy and fuel	27.834	19.138
Travelling and representation expenses	39.854	26.756
Training expenses	14.216	11.590
Donations and quotes	11.496	6.789
Other	113.968	55.649
Other operating expenses	**976.485**	**675.747**
Gains in property, plant and equipment disposal	465	3
Other	44.437	27.364
Other operating income	**44.903**	**27.368**
	931.582	**648.379**

9. INCOME TAXES

Income taxes break down as follows:

	2015	2014
Current tax	-	(15.157)
Deferred tax	(8.937)	(11.250)
	(8.937)	**(26.408)**

The reconciliation of the effective tax rate for the years ended 31 December 2015 and 2014 is as follows:

	2015		2014	
	Tax rate	Amount	Tax rate	Amount
Profit before tax		90.678		152.944
Income tax using domestic tax rate	16,00%	14.509	16,00%	24.471
Fiscal corrections:				-
Non deductible expense	93,19%	84.499	20,76%	31.752
Non taxable income	-99,33%	(90.071)	-19,49%	(29.816)
Income taxes	**9,86%**	**8.937**	**17,27%**	**26.407**

The movements in deferred taxes are as follows:

	2014	Income statement		Equity		2015
		Expenses	Income	Increase	Decrease	
Deferred tax assets						
Available for sale financial assets	3.072	-	-	-	(2.231)	841
	-	-	98.153	-	-	98.153
Tax losses	**3.072**	**-**	**98.153**	**-**	**(2.231)**	**98.994**
Deferred tax liabilities						
Foreign exchange differences	(11.544)	(40.402)	-	-	-	(51.946)
Property, plant and equipment	(9.275)	(6.542)	-	-	-	(15.816)
Derivatives	-	(60.146)	-	-	-	(60.146)
	(20.818)	**(107.090)**	**-**	**-**	**-**	**(127.908)**
		(8.937)			**(2.231)**	

	2013	Income statement		Equity		2014
		Expenses	Income	Increase	Decrease	
Deferred tax assets						
Available for sale financial assets	-	-	-	3.072	-	3.072
	-	**-**	**-**	**3.072**	**-**	**3.072**
Deferred tax liabilities						
Available for sale financial assets	(3.841)	-	-	3.841	-	-
Foreign exchange differences	-	(11.544)	-	-	-	(11.544)
Property, plant and equipment	(9.568)	-	293	-	-	(9.275)
	(13.409)	**(11.544)**	**293**	**3.841**		**(20.818)**
		(11.250)		**6.913**		

10. EARNINGS PER SHARE

Basic and diluted earnings per share

The basic and diluted earnings per share at 31 December 2015, calculated based on profit attributable to ordinary shareholders in the amount of MZN 81.741 thousands of Meticais (2014: 152.944 thousands of Meticais) and the weighted average number of ordinary shares in issue in the period ended 31 December 2015, totalling 60.892 (2013: 58.400), is as follows:

Profit/(loss) attributable to ordinary shareholders	2015	2014
Profit/(Loss) for the year	81.741	152.944
Weighted average number of ordinary shares	60.892	58.400
Earnings/(Loss) per share		
Basic	1,34	2,62
Diluted	1,34	2,62

11. CASH AND BALANCES WITH CENTRAL BANK

Cash and balances with Central Bank break down as follows:

	2015	2014
Cash	419.173	352.790
Bank of Mozambique	2.472.465	1.353.481
	2.891.637	**1.706.271**

A portion of the balances held with the Central Bank of Mozambique are in accordance with the Central Bank requirements to comply with minimum mandatory reserves.

The rule applicable as of 31 December 2015 as specified in the Central Bank guidelines, establishes that financial institutions must maintain a periodic average balance of 10,5% of all customers and Mozambican State deposits. The minimum cash reserve required at 31 December 2015 amounts to 2.427.557 thousands of meticais (1.213.571 thousands of meticais in 31 December 2014).

This mandatory reserve is non-interest bearing and is not considered as part of cash and cash equivalent in the statement of cash flows.

12. DEPOSITS WITH BANKS

Deposits with banks break down as follows:

	2015	2014
Local banks	293.894	276.831
Foreign banks	185.255	684.636
	479.149	**961.467**

13. LOANS AND ADVANCES TO BANKS

Loans and advances to banks break down as follows:

	2015	2014
Deposit with Bank of Mozambique	28.000	370.892
Deposit with other banks	1.840.335	2.278.603
	1.868.335	**2.649.495**

14. FINANCIAL ASSETS HELD FOR TRADING

This caption break down as follows:

	2015	2014
Bonds and other fixed income securities	1.268.299	753.605
Shares and other variable income securities	23.263	23.263
Derivatives held for trading	375.913	-
	1.667.475	**776.868**

14.1. Financial assets held for trading

This item breaks down as follows:

	2015	2014
Bonds and other fixed income securities		
Treasury bills	981.101	420.259
Corporate bonds		
Commercial Paper - Petromoc 2014 1st Issue	-	120.975
Commercial Paper - Petromoc 2014 2nd Issue	-	130.772
Commercial Paper - Petromoc 2014 3rd Issue	-	25.008
Commercial Paper - Petromoc 2015 2nd Issue	50.064	-
Commercial Paper - Petromoc 2015 3rd Issue	25.021	-
Companhia de Moçambique 2013 - 1st issue	79.762	1.634
Companhia de Moçambique 2013 - 2nd issue	7.546	7.550
Moza Banco 2013 - 1st issue	1.889	527
Moza Banco 2014 - 1st issue	22.863	11.102
Cooperativa de Poupança e Crédito 2014 - 1st issue	35.834	35.777
Visabeira 2015 - 2018	64.220	-
	1.268.299	**753.605**

Commercial Paper – Petromoc 2014 1st Issue

This Commercial Paper has a maturity of one year and was issued on 24 February 2014, with a nominal value MT100 per paper. The coupon rate for the first month is fixed rate at 11.25% per annum and thereafter floating indexed to "Facilidade Permanente de Cedência" (FPC). Principal is fully reimbursed at maturity date and interest is paid on a monthly base.

Commercial Paper – Petromoc 2014 2nd Issue

This Commercial Paper has a maturity of one year and was issued on 4 April 2014, with a nominal value MT100 per paper. The coupon rate for the first month is fixed rate at 11.25% per annum and thereafter floating indexed to "Facilidade Permanente de Cedência" (FPC). Principal is fully reimbursed at maturity date and interest is paid on a monthly base.

Commercial Paper – Petromoc 2014 3rd Issue

This Commercial Paper has a maturity of one year and was issued on 11 April 2014, with a nominal value MT100 per paper. The coupon rate for the first month is fixed rate at 11.25% per annum and thereafter floating indexed to "Facilidade Permanente de Cedência" (FPC). Principal is fully reimbursed at maturity date and interest is paid on a monthly base.

Commercial Paper – Petromoc 2015 2nd Issue

This Commercial Paper has a maturity of one year and was issued on 27 April 2015, with a nominal value MT100 per paper. The coupon rate for the first month is fixed rate at 13% per annum and thereafter floating indexed to "Facilidade Permanente de Cedência" (FPC). Principal is fully reimbursed at maturity date and interest is paid on a monthly base.

Commercial Paper – Petromoc 2015 3rd Issue

This Commercial Paper has a maturity of one year and was issued on 29 June 2015, with a nominal value MT100 per paper. The coupon rate for the first month is fixed rate at 13% per annum and thereafter floating indexed to "Facilidade Permanente de Cedência" (FPC). Principal is fully reimbursed at maturity date and interest is paid on a monthly base.

Companhia de Moçambique 2013 – 1st Issue

This Corporate Bond has a maturity of four years and was issued on 30 September 2013, with a nominal value of MT100 per bond. Interest is paid on a semi-annual basis and interest rate is fixed at 13% per annum for the first 4 coupon payments (2 years) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 400 basis point spread for the last 2 coupon payments (1 year). Principal is fully reimbursed at maturity date of this Corporate Bond.

Companhia de Moçambique 2013 – 2nd Issue

This Corporate Bond has a maturity of four years and was issued on 30 September 2013, with a nominal value of MT100 per bond. Interest is paid on a semi-annual basis and interest rate is fixed at 12.75% per annum for the first 4 coupon payments (2 years) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 400 basis point spread for the last 2 coupon payments (1 year). Principal is fully reimbursed at maturity date of this Corporate Bond.

Moza Banco 2013 – 1st Issue

This Corporate Bond has a maturity of three years and was issued by Moza Banco on 15 November 2013, with a nominal value of MT 100 per bond. With a total nominal amount of MT 250 000 000 interest will be paid on a semi-annual basis at a fixed rate of 12.25% per annum for the first 2 coupon payments (1 years) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 350 basis point spread for the last 4 coupon payments (2 year). Principal will be reimbursed at a 25% ratio on the last 4 coupon payment dates unless the issuer decides to exercise the early redemption option.

Moza Banco 2014 – 1st Issue

This Corporate Bond has a maturity of three years and was issued by Moza Banco on 6 August 2014, with a nominal value of MT 100 per bond. With a total nominal amount of MT 250 000 000 interest will be paid on a semi-annual basis at a fixed rate of 13.00% per annum for the first 2 coupon payments (1 year) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 425 basis point spread for the last 4 coupon payments (2 year). Principal will be reimbursed fully on last coupon date unless the issuer decides to exercise the early redemption option, which allows full or partial early redemption starting on 3rd coupon payment date.

Cooperativa de Poupança e Credito 2014 – 1st Issue

This Corporate Bond has a maturity of five year and was issued on 29 October 2014, with a nominal value of MT 100 per bond. With a total nominal amount of MT 100 000 000, interest will be paid on a semi-annual basis at a fixed rate of 13.00% per annum for the first 6 coupon payments (3 years) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 475 basis point spread for the last 4 coupon payments (2 year). Principal will be reimbursed fully on last coupon date unless the issuer decides to exercise the early redemption option, which allows full or partial early redemption starting on 4th coupon payment date.

Visabeira 2015 - 2018

This Corporate Bond has a maturity of three years and was issued by the Visa Beira Company on 23 March 2015, with a nominal value of MT 100 per bond. With a total nominal amount of MT 250 000 000, interest will be paid on a semi-annual basis at a fixed rate of 13.00% per annum for the first 6 coupon payments (3 year) and floating indexed to "Facilidade Permanente de Cedência" (FPC) plus a 45 basis point spread for the last 4 coupon payments (2 years).

14.2. Investment securities

This item breaks down as follows:

These 1.163.130 common equity shares held in EMOSE represent 7.4% of the total of 15.700.000 new shares issued by Empresa Moçambicana de Seguros in a successful public offer in October 2013. Each share has a nominal amount of MT 1 and has the same voting rights as the remaining share capital.

14.3. Derivatives held for trading

The Bank uses forward and foreign exchange swaps to manage exposure to foreign currency and interest rate risk. These instruments are transacted for both hedging and non-hedging activities. These instruments result in an economic exchange of currencies and interest rates. An exchange of principal takes place for all foreign exchange swaps. The Bank's credit risk exposure represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Bank assesses counterparties using the same technique as for its lending activities.

The notional amounts of the financial instruments provide a basis of comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risk.

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of the derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair values of derivative financial instruments held are set out below:

	2015	2014
Derivatives		
Fx swaps	375.913	-
	375.913	**-**

As of 31 December 2015 and 31 December 2014 the breakdown of the securities held for trading by period of maturity, is as follows:

	2015	2014
Up to 3 months	669.609	309.123
3 to 12 months	764.739	398.819
1 to 5 years	209.864	45.663
More than 5 years	-	-
Undetermined	23.263	23.263
	1.667.474	**776.868**

As of 31 December 2015 and 31 December 2014, financial assets held for trading broken down by quoted and unquoted status, are presented as follows:

			2015			2014
	Quoted	Quoted	Total	Quoted	Quoted	Total
Bonds and other fixed income securities						
Treasury bills	-	981.101	**981.101**	-	420.259	**420.259**
Corporate bonds	287.198	-	**287.198**	333.346	-	**333.346**
Shares and other variable income securities	23.263	-	**23.263**	23.263	-	**23.263**
Fx swaps	-	375.913	**375.913**	-	-	**-**
	310.461	**1.357.014**	**1.667.475**	**356.609**	**420.259**	**776.868**

The movement in held for trading financial assets during the years ended 31 December 2015 and 31 December 2014 were as follows:

	2015	2014
Opening balances	776.868	280.492
Acquisitions	791.449	593.656
Disposals/reimbursments	(276.755)	(106.583)
Gains/(losses) in fair value	375.913	9.303
Closing balance	**1.667.475**	**776.868**

15. AVAILABLE FOR SALE FINANCIAL ASSETS

This item breaks down as follows:

	2015	2014
Bonds and other fixed income securities		
Government bonds		
Government Bond 2010	-	5.510
Government Bond 2011	61.647	64.938
Government Bond 2012	-	16.675
Government Bond 2013 - 2nd issue	21.442	22.364
Government Bond 2013 - 3rd issue	52.976	55.305
Government Bond 2013 - 5th issue	20.139	21.596
Government Bond 2014 - 1st issue	57.317	60.300
Government Bond 2014 - 2nd issue	52.331	54.390
Government Bond 2014 - 3rd issue	26.395	54.442
Government Bond 2014 - 4th issue	-	54.698
Government Bond 2014 - 5th issue	-	27.143
Government Bond 2014 - 6th issue	51.645	-
Government Bond 2014 - 7th issue	50.954	-
Government Bond 2015 - 2nd issue	16.465	-
Government Bond 2015 - 3rd issue	22.022	-
Government Bond 2015 - 6th issue	823.418	-
Reimbursement Bonds	2.593	-
	1.259.345	**437.362**
Corporate bonds		
Afrasia Bank Ltd. Subordinated 2014 - 2020	307.650	161.412
Empresa Moçambicana de Atum (EMATUM) 2013 - 2020	650.534	524.908
Hellenic Petroleum 2014 - 2016	293.313	142.170
Petroleos da Venezuela - 2009-2015	-	144.982
	1.251.497	**973.472**
Shares and other variable income securities		
Sociedade Interbancária Moçambicana (SIMO)	2.682	2.682
	2.513.524	**1.413.516**

Government Bonds

Government Bonds (2010)

This Government Bond has a five year maturity and was issued on 1 September 2010 with nominal value of MT100 each bond. Coupon is paid every six months and the first coupon rate was fixed at 15.0%. Following coupons will be floating, indexed to a rate equal to interbank borrowing rate plus a 50 basis point spread. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2011)

This Government Bond has a five year maturity and was issued on 7 December 2011 with nominal value of MT100 each bond. Coupon is paid every six months and the first coupon rate was fixed at 17.0% for the first 30 months (5 semi-annual coupons). Following coupons will be floating, indexed to a rate equal to interbank borrowing rate plus a 50 basis point spread. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2012)

This Government Bond has a three year maturity and was issued on 22 August 2012 with nominal value of MT100 each bond. Coupon is paid every six months and the first coupon rate was fixed at 10.00%. Following coupons will be floating, indexed to a rate equal to the higher of the weighted average interest rate of the last six issues of Treasury Bills above 60 days plus a 250 basis point spread. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2013) – 2nd Issue

This Government Bond has a four year maturity and was issued on 19 September 2013 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (OT/2013) – 3rd Issue

This Government Bond has a four year maturity and was issued on 19 September 2013 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2013) – 5th Issue

This Government Bond has a five year maturity and was issued on 18 December 2013 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 1st Issue

This Government Bond has a five year maturity and was issued on 22 October 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 2nd Issue
This Government Bond has a five year maturity and was issued on 21 November 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 3rd Issue
This Government Bond has a five year maturity and was issued on 26 December 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 4th Issue
This Government Bond has a five year maturity and was issued on 23 July 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 5th Issue
This Government Bond has a five year maturity and was issued on 21 August 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 10.00% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 6th Issue
This Government Bond has a five year maturity and was issued on 5 November 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 8.75% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2014) – 7th Issue
This Government Bond has a five year maturity and was issued on 19 November 2014 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2015) – 2nd Issue
This Government Bond has a five year maturity and was issued on 28 August 2015 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 10.00% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2015) – 3th Issue
This Government Bond has a five year maturity and was issued on 01 September 2015 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 10.00% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Government Bonds (2015) – 6th Issue
This Government Bond has a five year maturity and was issued on 16 December 2015 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 10.00% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Reimbursement bonds
This reimbursement bond has a five year maturity and was issued on 21 April 2015 with nominal value of MT100 each bond. Coupon is paid every six months at a fixed rate of 7.375% per annum, a rate that was established based on a competitive auction among market participants. Principal will be reimbursed in three instalments on the interest payment dates. Each reimbursement will be performed by reduction of the notional amount.

Corporate Bonds

Afrasia Bank Ltd. Subordinated 2014 - 2020
This Corporate Bond has a six year maturity and was issued in January 2014 with a nominal amount of USD 100 per bond. This is a subordinated debt issue with semi-annual coupons based on a fixed rate of 4.335%.

Empresa Moçambicana de Atum (EMATUM) 2013 - 2020
This Corporate Bond has a seven year maturity and was issued on 11 September 2013 with a nominal amount of USD 1.000 per bond, although periodic amortization of principal starting on November 2015 generates a shorter weighted average maturity. Semi-annual coupons are paid based on a fixed rate equal to 4.335%. Full responsibilities under this bond issue are covered by a sovereign guarantee issued by the Republic of Mozambique Minister of Finance.

Petroleos de Venezuela 2009-2015
This Corporate Bond has a seven year maturity and was issued on October 2009 with a nominal amount of USD 1 per bond. Semi-annual coupons are paid based on a fixed rate equal to 5% and principal is fully reimbursed at maturity date.

Shares and other variable income securities

Sociedade Interbancária Moçambicana (SIMO)
The SIMO account relates to the equity shares of Sociedade Interbancária de Moçambique held by the Bank. SIMO is a financial entity which is majority owned by the Central Bank of Mozambique and in which most commercial banks in Mozambique hold an equity interest. SIMO's mission as a financial entity is to provide its shareholders with general access to banking services, namely through proprietary ATM and POS infrastructure.

As of 31 December 2015 and 31 December 2014 the available for sale financial assets, broken down by period of maturity, are as follows:

	2015	2014
Up to 3 months	-	-
3 to 12 months	396.607	190.083
1 to 5 years	2.114.235	551.342
More than 5 years	-	669.408
Undetermined	2.682	2.682
	2.513.524	**1.413.516**

As of 31 December 2015 and 31 December 2014, the breakdown of available for sale financial assets by quoted and unquoted status is as follows:

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income securities						
Government bonds	1.259.345	-	**1.259.345**	437.362	-	**437.362**
Corporate bonds	1.021.997	229.500	**1.251.497**	973.472	-	**973.472**
Shares and other variable income securities	-	2.682	**2.682**	-	2.682	**2.682**
	2.281.342	**232.182**	**2.513.524**	**1.410.834**	**2.682**	**1.413.516**

The movements in available for sale financial assets during the years ended 31 December 2015 and 31 December 2014 were as follows:

	2015	2014
Opening balances	1.413.516	1.417.397
Acquisitions	1.511.687	613.035
Accruals	21.811	17.221
Disposals/reimbursments	(700.217)	(672.325)
Unrealized forex gain	252.782	81.147
Gains/(losses) in fair value	13.946	(42.959)
Closing balance	**2.513.524**	**1.413.516**

16. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances break down as follows:

	2015	2014
Corporate	15.579.613	11.463.556
Individual	2.560.777	2.324.071
	18.140.391	**13.787.627**
Interest accrual and comissions	311.709	231.057
	18.452.099	**14.018.684**
Impairment allowances	(514.602)	(368.832)
	17.937.497	**13.649.851**

The breakdown of loans and advances to customers by performing and non performing status (excluding accrued interest) is as follows:

	2015	2014
Performing loans	17.720.645	13.476.612
Non performing loans		
Within 90 days	48.975	80.409
After 90 days	370.770	230.607
	419.745	**311.015**
	18.140.391	**13.787.627**

Term Loans and Overdraft are as follows:

	2015	2014
Loans	12.685.813	9.597.635
Current account loans	3.467.052	2.977.902
Bank overdrafts	1.686.429	866.748
Others	612.806	576.400
	18.452.099	**14.018.685**
Impairment allowances	(514.602)	(368.832)
	17.937.497	**13.649.852**

The breakdown of loans and advances by local or foreign currency is as follows:

	2015	2014
Local currency	15.931.852	12.441.464
Foreign currency	2.520.247	1.577.221
	18.452.099	**14.018.685**

The breakdown of credit risk concentration by industry is as follows:

	2015	2014
Retail	3.923.816	3.100.674
Construction	1.832.460	1.001.078
Energy	769.188	658.548
Tourism and hospitality	464.205	407.430
Manufacturing	3.309.131	2.218.315
Private	3.425.463	2.357.694
Services	2.110.350	2.015.134
Transport and comunication	2.504.518	1.440.153
Agriculture and fishing	102.976	101.723
Others	9.993	717.937
	18.452.099	**14.018.685**

The breakdown of loans and advances to customers by maturity is as follows:

	2015	2014
Up to 3 months	1.902.900	2.584.144
Over 3 months and up to 1 year	2.811.534	3.002.033
From 1 year to 5 years	4.715.058	4.940.966
More then 5 years	9.022.607	3.491.542
	18.452.099	**14.018.685**

The breakdown of movements in impairment allowances is as follows:

2015	Individual	Colective	Total
Opening balance	250.863	117.970	368.832
Impairment charge for the year	357.537	123.744	481.281
Reversal for the year	(99.066)	(105.949)	(205.016)
Utilization / regularization	(131.887)	1.391	(130.496)
Closing balance	**377.446**	**137.156**	**514.602**

2014	Individual	Colective	Total
Opening balance	136.852	92.929	229.781
Impairment charge for the year	230.132	84.562	314.694
Reversal for the year	(102.932)	(66.271)	(169.203)
Utilization / regularization	(13.190)	6.750	(6.440)
Closing balance	**250.863**	**117.970**	**368.832**

The interest is part of the impairment losses and is included in the calculation of impairment.

17. OTHER ASSETS

Other assets account breaks down as follows:

	2015	2014
Credit receivables	984.192	162.591
Accruals	74.661	34.811
Inventories	18.363	-
Other receivables	42.901	17.608
Clearing accounts	372.369	-
	1.492.487	**215.010**

Other credit receivables refers to legal procedures in progress against clients where at the reporting date the bank does not have the legal property of the mortgages.

18. NON-CURRENT ASSETS HELD FOR SALE

The balance of this item is the value of the properties that have come into the Bank's possession as a result of the enforcement of collateral over non-performing loans. These properties were mortgaged to the Bank to secure the loans and the Bank intends to sell the properties in the short term (less than one year). As of 31 December 2015 approximately 82% of the total balance of non-current assets held for sale refers to industrial and commercial properties, which were recorded at the lower of acquisition cost and appraised value.

19. PROPERTY AND EQUIPMENT

The movement in property and equipment is as follows:

	Leased buildings	Equipment	Work in progress	Others	Total
Cost:					
At 1 January 2014	466.892	375.127	96.112	838	938.969
Additions	211.430	84.792	168.550	1.249	466.022
Transfers	-	134.175	(134.175)	-	-
At 31 December 2014	**678.322**	**594.094**	**130.487**	**2.087**	**1.404.991**
Additions	132.595	193.939	203.936	-	530.470
Disposal	-	(6.394)	-	-	(6.394)
Transfers	-	12.571	(12.571)	-	-
At 31 December 2015	**810.917**	**794.210**	**321.852**	**2.087**	**1.929.067**

	Leased buildings	Equipment	Work in progress	Others	Total
Depreciation and impairment					
At 1 January 2014	70.186	120.304	-	-	190.491
Depreciation charge for the year	58.592	80.841	-	-	139.433
Disposal/Regularization	-	(138)	-	-	(138)
At 31 December 2014	**128.778**	**200.686**	**-**	**-**	**329.464**
Depreciation charge for the year	75.417	121.064	-	2.087	198.568
Disposal/Regularization	-	(9.057)	-	-	(9.057)
At 31 December 2015	**204.195**	**312.692**	**-**	**2.087**	**518.975**
Net carrying amount					
At 31 December 2014	**549.544**	**393.408**	**130.487**	**2.087**	**1.075.526**
At 31 December 2015	**606.722**	**481.518**	**321.852**	**-**	**1.410.092**

20. INTANGIBLE ASSETS

The movement in intangible assets is as follows:

	Software	Work in progress	Total
Cost:			
At 1 January 2014	216.663	126.673	343.336
Cost	13.907	230.508	244.414
Transfers	291.566	(291.566)	-
At 31 December 2014	**522.136**	**65.615**	**587.751**
Additions	163.559	127.555	291.113
Disposals	4.909	-	4.909
Transfers	65.615	(65.615)	-
At 31 December 2015	**756.218**	**127.555**	**883.773**

	Software		Total
Depreciation and impairment			
At 1 January 2014	97.191		97.191
Amortization charge for the year	55.237		55.237
Regularization	56		56
At 31 December 2014	**152.483**		**152.483**
Depreciation charge for the year	123.270		123.270
Disposals	(4.909)		(4.909)
At 31 December 2015	**270.844**		**270.844**
Net carrying amount			
At 31 December 2014	**369.653**	**65.615**	**435.268**
At 31 December 2015	**485.374**	**127.555**	**612.929**

Intangible assets in progress, in the period under analysis, mostly refer to expenses incurred on the development of software or automated processing systems, which had not come into operation at the end of the reporting period.

21. CURRENT TAX ASSETS

Current tax assets break down as follows:

	2015	2014
Payments in account	38.165	43.590
Withholding tax	62.385	21.198
	100.550	**64.789**

22. DEPOSITS FROM BANKS

Deposits from banks break down as follows:

	2015	2014
Current deposits	358.636	929.787
Term deposits	1.704.982	1.245.828
	2.063.618	**2.175.616**

The breakdown of deposits from banks by maturity is as follows:

	2015	2014
Until 3 months	262.821	929.787
From 3 months to 1 year	1.800.797	1.245.828
From 1 year to 5 years	-	-
More than 5 years	-	-
	2.063.618	**2.175.616**

23. DEPOSITS FROM CUSTOMERS

Deposits from customers break down as follows:

	2015	2014
Current deposits	9.518.652	6.268.429
Term deposits	15.216.059	10.614.965
Other	-	31.058
	24.734.711	**16.914.452**

The breakdown of deposits from customers by maturity is as follows:

	2015	2014
On demand	10.935.938	6.268.429
Until 3 months	7.796.061	5.613.976
From 3 months to 1 year	5.999.005	4.714.254
From 1 year to 5 years	787	645
More than 5 years	2.920	317.147
	24.734.711	**16.914.452**

24. CONSIGNED LIABILITIES

Moza Banco has signed a contract agreement with the European Investment Bank for the granting of a loan aimed at supporting its financing activities to Small and Medium Enterprises, as part of the Bank's vast program of support to the private sector in Mozambique. Activity sectors financed under the program include agro-industry, tourism, manufacturing and renewable energy. It is a EUR 5 million loan (equiv. MZN 200.4 million), made available in December 2014 for 5 years, with equal semi-annual instalments of principal and interest at a fixed interest rate of 8.9%.

A contract agreement with the African Development Bank was also signed for the granting of a loan to be used for long-term lending to Small and Medium-sized Enterprises (SMEs) in a number of sectors of the Mozambican economy, including agriculture, agribusiness and manufacturing. It is a five-year USD 9 million loan with floating interest, indexed to 6-Month Treasury Bills, plus a spread.

Another agreement was signed with the Ministry of Commerce and Industry to access funds granted by the Italian Government in the form of a loan (PRSP – Programa de Relançamento do sector privado) aimed at supporting private sector activities directly affected by the natural disasters which occurred in 2000/2001. It is a five-year MZN 120 million loan, with interest payable every six months at a fixed rate of 10.00% per annum.

25. OTHER LIABILITIES

This item breaks down as follows:

	2015	2014
Accounts payable	99.472	304.634
Current tax estimate	-	15.157
Accrued expenses	88.923	13.719
Clearing accounts	-	79.575
	188.396	**413.085**

26. DEBT SECURITIES ISSUED

Debt securities issued break down as follows:

	2015	2014
Commercial paper		
Commercial paper Moza Banco 2015 1st Issue	270.240	-
Debt securities		
Moza Banco 2013 1st Issue	388.547	270.167
Moza Banco 2014 2nd Issue	-	251.901
Subordinated debt		
Moza Banco 2013-2023 subordinated	750.906	750.906
	1.409.693	**1.272.975**

Commercial Paper Moza Banco 2015 1st Issue

This Commercial Paper has a maturity of one year and was issued by Moza Banco on 30 October 2015 with a nominal value of MT 100 per bond. With a total nominal amount of MT 265 000 000, interest will be paid on a monthly basis at a fixed rate of 13.50% per annum.

Moza Banco 2013 1st Issue

This Commercial Paper has a maturity of three years and was issued by Moza Banco on 15 November 2013 with a nominal value of MT 100 per bond. With a total nominal amount of MT 250 000 000, interest will be paid on a semi-annual basis at a fixed rate of 12.25% per annum for the first 2 coupon payments (1 years) and floating, indexed to "Facilidade Permanente de Cedência" (FPC) plus a 350 basis point spread, for the last 4 coupon payments (2 year). Principal will be reimbursed at a 25% ratio on the last 4 coupon payment dates unless the issuer decides to exercise the early redemption option.

Moza Banco 2014 2nd Issue

This Corporate Bond has a maturity of three years and was issued by Moza Banco on 6 August 2014 with a nominal value of MT 100 per bond. With a total nominal amount of MT 250 000 000, interest will be paid on a semi-annual basis at a fixed rate of 13.00% per annum for the first 2 coupon payments (1 years) and floating, indexed to "Facilidade Permanente de Cedência" (FPC) plus a 425 basis point spread, for the last 4 coupon payments (2 year). Principal will be reimbursed fully on the last coupon date unless the issuer decides to exercise the early redemption option, which allows full or partial early redemption starting on the 3rd coupon payment date.

Moza Banco 2013-2023 Subordinated debt

This Subordinate Bond has a maturity of ten years and was issued by Moza Banco on 27 December 2013 with a nominal value of MT 100 per bond. With a total nominal amount of MT 750 000 000, interest will be paid on a semi-annual basis at a fixed rate of 14.5% per annum. Principal will be reimbursed at the maturity date unless the issuer decides to exercise the early redemption option, which is only possible after 5 years and with prior approval from the Central Bank of Mozambique.

The breakdown of debt securities issued by maturity is as follows:

	2015	2014
Up to 3 months	-	-
3 to 12 months	397.037	-
1 to 5 years	1.012.656	522.068
More then 5 years	-	750.906
	1.409.693	**1.272.975**

27. SHARE CAPITAL

As of 31 December 2015, the share capital of Moza Banco is fully subscribed and paid and breaks down as follows:

2015	Number of shares	Nominal amount	Total share capital	% share capital
Shareholder				
Moçambique Capitais, S.A.	43.435	25.000	1.085.867	50,999%
Novo Banco Africa SGPS	41.732	25.000	1.043.300	49,000%
Dr. Almeida Matos	1	25.000	25	0,001%
	85.168		**2.129.192**	**100,00%**

2014	Number of shares	Nominal amount	Total share capital	% share capital
Shareholder				
Moçambique Capitais, S.A.	38.351	25.000	958.775	50,999%
Novo Banco Africa SGPS	36.848	25.000	921.200	49,000%
Dr. Almeida Matos	1	25.000	25	0,001%
	75.200		**1.880.000**	**100,00%**

During the period the share capital was increased by MZN 249.192.000 through the issue of 9.968 shares with a nominal value of MZN 25.000 per share.

	Number of shares	Nominal amount
Ordinary shares		
At 31 December 2014	75.200	1.880.000
Increase	9.968	249.192
At 31 December 2015	**85.168**	**2.129.192**

28. LEGAL RESERVE

Legal reserve is composed as follows:

	2015	2014
Legal reserve	49.287	26.346
	49.287	**26.346**

In compliance with Mozambican legislation, each year the Bank must allocate not less than 15% of its prior year profit after tax to the legal reserve, until this reserve is equal to the amount of capital.

29. NON-CASH ITEMS INCLUDED IN PROFIT/(LOSS) BEFORE TAX

The non-cash items included in profit/(loss) before tax are as follows:

	2015	2014
Depreciation and amortization (note 19,20)	(321.838)	(194.669)
Net impairment charge (note 16)	(276.266)	(145.491)
(Gains)/losses in property, plant and equipment disposals (note 9,19)	(465)	(3)
(Gains)/losses in held for trading financial assets (note 14)	375.913	(9.303)
Accruals from available for sale financial assets (note 15)	(4.590)	-
Unrealized forex gains	(252.512)	-
	(479.758)	**(349.467)**

30. FINANCIAL INSTRUMENTS

The classification of the financial instruments is as follows:

2015	Fair value trough profit and loss	Available for sale	Loans and receivables	Total
Assets				
Cash and balances with Central Bank	-	-	2.891.637	2.891.637
Deposits with banks	-	-	479.149	479.149
Loans and advances to banks	-	-	1.868.335	1.868.335
Financial assets held for trading	1.667.475	-	-	1.667.475
Available for sale financial assets	-	2.513.524	-	2.513.524
Loans and advances to customers	-	-	17.937.497	17.937.497
Other assets	-	-	117.562	117.562
Total assets	**1.667.475**	**2.513.524**	**23.294.182**	**27.475.181**
Liabilities	Fair value trough profit and loss	Loans and payables		Total
Deposits from banks	-	2.063.618		2.063.618
Deposits from customers	-	24.734.711		24.734.711
Consigned liabilities	-	403.393		
Consigned liabilities	-	188.396		188.396
Debt securities	-	1.409.693		1.409.693
Total liabilities	**-**	**28.799.811**		**28.396.418**
2014	Fair value trough profit and loss	Available for sale	Loans and receivables	Total
Assets				
Cash and balances with Central Bank	-	-	1.706.271	1.706.271
Deposits with banks	-	-	961.467	961.467
Loans and advances to banks	-	-	2.649.495	2.649.495
Financial assets held for trading	776.868	-	-	776.868
Available for sale financial assets	-	1.413.516	-	1.413.516
Loans and advances to customers	-	-	13.649.852	13.649.852
Total assets	**776.868**	**1.413.516**	**18.967.086**	**21.157.469**
Liabilities	Fair value trough profit and loss	Loans and payables		Total
Deposits from banks	-	2.175.616		2.175.616
Deposits from customers	-	16.914.452		16.914.452
Consignated liabilities	-	205.179		205.179
Debt securities	-	1.272.975		1.272.975
Total liabilities	**-**	**20.568.221**		**20.568.221**

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial investments available for sale

Available for sale financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models that use both observable and non-observable data. The non-observable inputs to the model include assumptions regarding the future financial performance of the investee, the risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Held for trading financial assets

For held for trading financial assets that are unquoted, a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market rates of interest, prepayment rates and assumptions regarding market liquidity and credit spreads.

Determination of fair value hierarchy of financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

> **Level 1**: quoted (unadjusted) prices in active markets for identical assets or liabilities.

> **Level 2**: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
The Bank uses the net present value model to obtain the fair value of the Government Bonds in available for sale financial assets. The interest rates used to determine the discount factor are market observable, specifically the average rates at which Treasury Bills and Treasury Bonds are sold in the market, namely, 6.68% and 8.08% (7.95% in 2014).

> **Level 3**: techniques which use inputs that have a significant effect on the fair value and that are not based on observable market data.

The fair value of quoted notes and bonds is based on price quotations at the reporting date only when there is an active market. For Government Bonds for which there is no active market, the Bank uses the discounted cash flow model. The fair value of unquoted instruments, loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

The following table shows a breakdown of financial instruments recorded at fair value by level in the fair value hierarchy.

2015	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with Central Bank	-	-	2.891.637	2.891.637
Deposits with banks	-	-	479.149	479.149
Loans and advances to banks	-	-	1.905.702	1.905.702
Financial assets held for trading	310.461	-	1.357.014	1.667.475
Available for sale financial assets	2.281.342	-	232.182	2.513.524
Loans and advances to customers	-	-	16.861.247	16.861.247
Other assets	117.562	-	-	117.562
	2.709.365	**-**	**23.726.933**	**26.436.299**
Financial liabilities				
Deposits from banks	-	-	2.125.526	2.125.526
Deposits from customers	-	-	25.724.099	25.724.099
Consigned liabilities	-	-	391.292	391.292
Debt securities	-	-	1.480.178	1.480.178
Other liabilities	-	-	188.396	188.396
	-	**-**	**29.909.491**	**29.909.491**

2014	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with Central Bank	-	-	1.706.271	1.706.271
Deposits with banks	-	-	979.467	979.467
Loans and advances to banks	-	-	2.724.441	2.724.441
Financial assets held for trading	356.609	-	420.259	776.868
Available for sale financial assets	1.249.422	-	164.094	1.413.516
Loans and advances to customers	-	-	12.216.618	12.216.618
	1.606.031	**-**	**18.211.150**	**19.817.181**
Financial liabilities				
Deposits from banks	-	-	2.285.917	2.285.917
Deposits from customers	-	-	17.261.338	17.261.338
Allocated liabilities	-	-	176.454	176.454
Debt securities	-	-	1.429.281	1.429.281
	-	**-**	**21.152.991**	**21.152.991**

Set out below is a comparison, by class of instrument, of the carrying amounts and fair values of those of the Bank's financial instruments that are not measured at fair value in the financial statements:

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and balances with Central Bank	2.891.637	2.891.637	1.706.271	1.706.271
Deposits with banks	479.149	479.149	961.467	979.467
Loans and advances to banks	1.868.335	1.905.702	2.649.495	2.724.441
Financial assets held for trading	1.667.475	1.667.475	776.868	776.868
Available for sale financial assets	2.513.524	2.513.524	1.413.516	1.413.516
Loans and advances to customers	17.937.497	16.861.247	13.649.852	12.216.618
Other assets	117.562	117.562	-	-
	27.475.181	**26.436.298**	**21.157.469**	**19.817.181**
Other assets				
Deposits from banks	2.063.618	2.125.526	2.175.616	2.285.917
Deposits from customers	24.734.711	25.724.099	16.914.452	17.261.338
Consigned liabilities	403.393	391.292	205.179	176.454
Debt securities	1.409.693	1.480.178	1.272.975	1.429.281
Other liabilities	188.396	188.396	-	-
	28.799.811	**29.909.491**	**20.568.221**	**21.152.991**
	(1.324.630)	**(3.473.193)**	**589.248**	**(1.335.809)**

Management considers that Cash and balances with Central Bank and Due from banks approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

> The fair value of financial assets held for trading and available for sale financial instruments is based on quoted markets where an active market exists or using the net present value model, based on observable market rates, such as Treasury Bills, with a range of 6.68% to 8.08% (5.37% to 7.25% in 2014).
> The Bank presents derivative financial instruments, such as foreign exchange swaps. The valuation technique used includes forward pricing. The model incorporates inputs such as foreign exchange spot and forward rates, yield curves of the respective currencies, and currency basis spreads between the currencies' interest rate curves and forward rate curves.
> The fair value of financial instruments that are measured at amortized cost, such as loans and advances to other banks, loans and advances to customers, deposits from banks, customer deposits and debt securities, is measured at the net present value.

32. RELATED PARTY DISCLOSURES

Balances arising from direct transactions with related parties are as follows:

Shareholders		Deposits with banks	Loans and advances to banks	Other assets	Deposits from banks	Deposits from customers	Other liabilities
Moçambique Capitais	2015	-	-	-	-	116.426	-
	2014	-	-	-	-	124.000	6.404
Novo Banco Africa SGPS	2015	85.079	1.679.129		62.914	-	2.821
	2014	89.147	227.036	516	638.317	-	1.000

In December 2015, complementary exposure arising from transactions with shareholders, included in Loans and advances to customers, amounts to 217.818 thousands of Meticais (105.760 thousands of Meticais in December 2014).

Key Management Personnel		Other assets	Loans and advances to customers	Deposits from customers	Other liabilities
Board of Directors	2015	-	54.608	95.297	-
	2014	1.176	41.383	477.601	-

Transactions with related parties are as follows:

	Operating leases	Interest expense	Interest income
Shareholders			
Moçambique Capitais			
2015	8.058	-	-
2014	6.297	17.774	-
Novo Banco			
2015	-	-	1.512
2014	-	109.651	2.386
Key Management Personnel			
Board of Directors			
2015	-	1.726	136
2014	-	-	2.034

Compensation of key management personnel of the Bank

During 2015, the remuneration of key management personnel amounted to 116.232 thousands of Meticais (78.462 thousands of Meticais in 2014).

33. CONTINGENCES AND COMMITMENTS

Contingencies

	2015	2014
Guarantees	3.126.166	2.793.474
Letter of credit	1.264.802	1.606.171
	4.390.968	**4.399.645**

Operating leases - Bank as a lessee

The bank leased a number of branches and office premises under operating lease agreements. The leases typically run for a period between 8 to 10 years, with an option to renew the lease after that date. Leases payments are increased every year to reflect market rentals. Future minimum rentals payable under non-cancellable operating leases as of 31 December are as follows:

	2015	2014
Until 1 year	269.309	179.238
Between 1 and 5 years	346.781	544.456
More than 5 years	354.744	154.638
	970.835	**878.332**

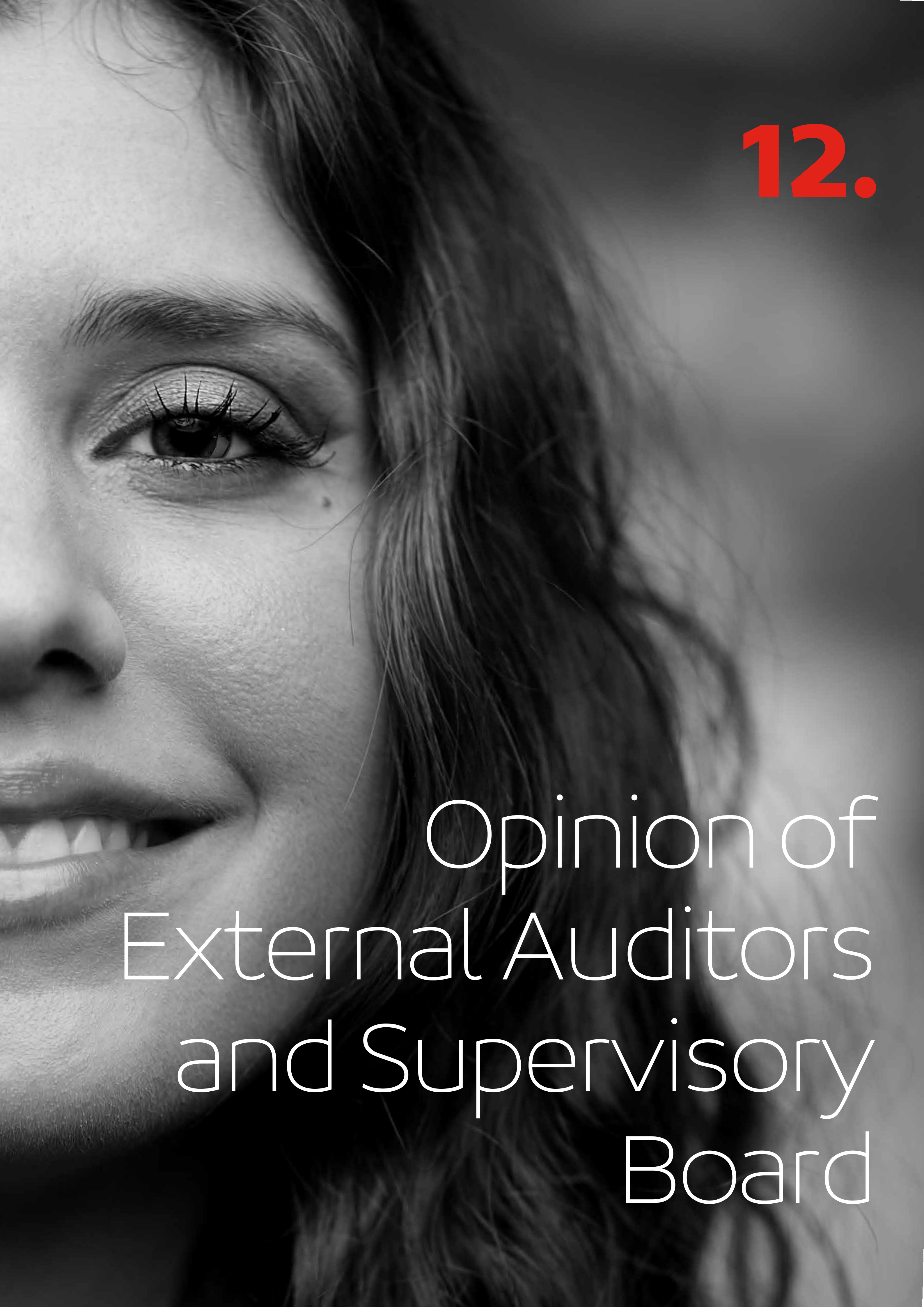
34. SUBSEQUENT EVENTS

Until the date on which the financial statements were authorised for issuance, there have been no favourable or unfavourable events for Moza Banco, S.A. that affect these financial statements or require disclosure therein.

David Zavale
Accounting Technician

Ibraimo Ibraimo
Chairman of the Executive Committee

Prakash Ratilal
Chairman of the Board of Directors



12. Opinion of External Auditors and Supervisory Board

12.1. Independent Auditors’ Report

INDEPENDENT AUDITORS’ REPORT

To the shareholders of Moza Banco, S.A.

We have audited the accompanying financial statements of Moza Banco, S.A., which comprise the statement of financial position as at 31 December 2015 (reflecting total assets of 31.368.621.424 Meticais and a total equity of 2.440.902.061 Meticais, including a profit for the year of 81.741.543 Meticais), the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows, and a summary of significant accounting policies and other explanatory notes.

Board of Directors’ responsibility for the financial statements

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

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Moza Banco as of 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Maputo, 29 February 2016

ERNST & YOUNG, LDA.

12.2. Supervisory Board Report and Opinion

SUPERVISORY BOARD REPORT AND OPINION FOR FINANCIAL YEAR 2015

To the shareholders of Moza Banco, SA

As required by law, we present the Supervisory Board Report and the Board's opinion on the Management Report, the accounts and the proposed allocation of results submitted by Moza Banco's Board of Directors for the year ended 31 December 2015.

To perform its supervisory function, the Supervisory Board monitored the Bank's activity during the year by analyzing its financial statements and management reports.

The Supervisory Board takes note of the Independent Auditor's Report on the financial statements for 2015, issued without qualifications on 29 February 2016, with which we agree.

As a result of the Supervisory Board's supervisory activity, at the Annual General Meeting of Moza Banco, SA, with reference to the year ended 31 December 2015, the shareholders voted in favour of approving:

> The financial statements presented by the Board of Directors and other documents required by law or regulations, which had previously been submitted to the Supervisory Board and which are in accordance with the law, the corporate bylaws and the rules laid down by the Banco de Moçambique. These financial statements were prepared in accordance with the accounting standards applicable to the year ended 31 December 2015 and give a true and fair view of Moza Banco's assets and liabilities, financial position and results.

> The Management Report issued by the Board of Directors, which in our opinion explains the main aspects of the Bank's activity in financial year 2015.

> The proposal presented by the Board of Directors for the allocation of the net profit for 2015 in the amount of MZN 81.741.543.

Lastly, we would like to thank the Bank's Board of Directors and Executive Committee, the Company Secretary and the departments we had occasion to contact during our work for their excellent collaboration and recognize the efforts they all made to achieve the positive result reported here.

Maputo, 29 February 2016.

Supervisory Board

Luís Miguel R. Baptista
Edgar Danilo Estêvão Balói
Maria Paula De Lima Ferreira

Note: The Supervisory Board Report and Opinion has been previously signed by the Board's members in the official language of the report (Portuguese).