

Annual Report **2021**

MOZA
O valor é teu.

1. Message from the Chairman of the Board of Directors

Dear Shareholders, Customers, Employees and Stakeholders in general,

The year 2021 was marked by a feeling of moderate optimism regarding global macroeconomic indicators in view of the uncertainties that still hovered in relation to the evolution of the Covid-19 pandemic. Despite the encouraging signs, arising from a greater coverage of vaccination campaigns in the world, in the region and in the country, which in a way provided longer periods of less restrictive measures for the normal functioning of economic activities, the constant threat of the emergence of new variants of the virus, and the new waves of contamination, resulted in moderate real growth of the national economy, below the Government's initial forecasts.

In 2021, annual inflation rose to 6.74% (2020: 3.52%), still within the target established by the Bank of Mozambique (less than 10%). The combined effect between the restrictive monetary stance, manifested by the upward revision of the monetary policy reference rate (MIMO Rate), in the order of 300 basis points, from 10.25% to 13.25%, and the maintenance of exchange rates were determinant in containing inflationary pressures. In the same period, the reserve requirement was reduced from 11.50% to 10.50% in local currency and from 34.50% to 11.50% in foreign currency. These adjustments stimulated growth in credit to the economy, albeit timidly (up 3.9% compared to the same period in the previous financial year).

For Moza Banco, the financial year 2021 was a year of intense work and consolidation of the achievements progressively attained over the last few years. It was a year in which Moza, once again, underlined its determination to grow in a solid and sustainable manner, strengthening its relationship with its Customers and the market. In November 2021, the Bank's shareholders carried out a share capital reinforcement operation in the amount of MZN 1.953 million, strengthening their confidence in the long-term viability of the Bank's activity, thus ensuring the implementation of the 2019 - 2023 Strategic Plan.

The current levels of the prudential ratios presented by Moza Banco show that the Bank has one of the best capitalization ratios in the national banking sector. On 31 December 2021, the Bank's solvency ratio reached 23.21%, levels well above the requirements imposed by the regulator (12.0%), and the average values presented by the market

In the context of macroeconomic uncertainty and unpredictability surrounding the impacts of Covid-19 and within the scope of risk management, the Bank significantly reinforced credit impairments aimed at covering the inherent risk and proceeded to the recovery of some overdue operations that were fully covered. This measure resulted in a 10% reduction in the loan portfolio compared to the same period in 2020. Excluding these operations, the portfolio would have presented a year-on-year growth of 2%. In turn, and, as a result of the Bank's strategy of reducing the cost of funding, the deposit portfolio was set at MZN 32.8 billion, which compares with the MZN 35.2 billion registered in 2020, resulting in an improvement of 7 percentage points (pp) in the transformation ratio.

The cost-to-income ratio reached 67.2%, below the 100.5% registered in the same period of 2020, reflecting, on the one hand, the positive effect of the increase in operating income and, on the other hand, the measures taken to prevent growth in structural costs.

We remained faithful to our determination to develop our activity in harmony with the rigour and prudence we have shown in previous years and the operating results would end up evolving in line with the best expectations. Thus, in 2021, the bank's performance would end up being clear to see in the evolution of the Gross Operating Profit, which grew 285% compared to the previous year, settling at a level of 2.161 million Meticals against 561 million registered in the previous year.

The net result obtained, however, although negative by MZN 1.381 million, is the result of the need to reinforce the impairment charges to cover the risk associated to a large operation that has fallen due and which alone represented an impairment of around MZN 1.400 million - the recoverability of which will be lengthy and complex. This reinforcement demonstrates our commitment to guarantee adequate levels of asset coverage, in line with the conservative, prudent and professional risk management policy defined by the Bank's Board of Directors.

On the other hand, we have remained true to our DNA as a relational Bank, which is inspired by the customer as the center of its strategic positioning.

This vision and approach allowed us on the one hand to increase the accessibility and scope of our services by opening new branches and, on the other, to diversify our offer of products and services by creating a very competitive and distinctive value proposition, with products and services better adapted to the reality and expectations of each customer, while maintaining the high quality and innovation that characterize us.

In this context, special mention should be made of the opening of 2 new branches, namely the Nacala-Ontupaia and Zumbo branches, thus demonstrating a clear effort to be closer to the people, companies, and institutions, despite the adversities that the current world situation has imposed on us. The opening of the Zumbo Branch in particular, located in the far west of the country, is within the scope of the partnership with MADER aimed at increasing levels of banking services and promoting rural finance, which is perfectly in line with the mission and institutional vision of Moza Banco.

In the framework of digital transformation, as one of the strategic pillars in the current positioning of Moza Banco, highlight goes to the design and availability of a new transactional channel, AZAPP, Moza's WhatsApp Banking service that allows Customers, to access their account, make payments, consultations, transfers, purchase recharges, among other useful operations in their daily lives through WhatsApp. Another Moza innovation! The implementation of the interoperability project with the E-Mola digital wallet represents another relevant milestone in this domain, which placed Moza as the 1st Bank to make the transfer service available for the 3 main digital wallets of the Country.

The investment in technology and innovation combined with the evolution in the commercial activity and financial performance indicators that the Bank has been registering, with incidence in 2020, the superior quality of service demonstrated, the expansion of the branch network and the availability of value-added products and services for Customers, led to Moza Banco being distinguished in 2021, by the prestigious African Banker Magazine, as the Best Bank in Southern Africa. This distinction, which occurs for the second consecutive year, makes us very proud, as it represents an unequivocal sign of the confidence of the market, and of our valued Customers in particular, as a result of the excellent work that has been developed by the institution's employees and staff, who, with wisdom, energy, commitment and dedication, have contributed to the consolidation, growth and affirmation of Moza.

Also in 2021, and despite the challenging context that continued to prevail throughout the year, Moza Banco maintained its unwavering determination to develop and support various social projects, in line with the Social Responsibility Policy in force at the Bank, and other sector policies, seeking to add value to the surrounding Communities and to the Country in general, paying special attention to minimizing the impacts of the Covid-19 pandemic. In this context, we granted support to institutions involved in the fight against this disease, whether for the purchase of hospital equipment, improvement of the conditions of service to patients and we also donated hygiene and protection material for the most vulnerable groups. On the other hand, we consolidated the already demanding sector partnerships aimed at the materialization of various projects with strong transformative potential.

During this financial year, Moza Banco's commitment to the development of the national financial system, in a trend of constant alignment with the best international management practices, took the form of the adoption of a new model which consists of separating the functions of Chairman of the Board of Directors (PCA, abbreviation in its original form) and Chairman of the Executive Committee (CEO). In effect, a Manager with vast experience in the sector, Mr. Manuel Soares, was appointed to exclusively perform the functions of the Bank's PCE. With this new model, the Bank strengthens its organizational structure and now has a governance model in line with the sector's best international practices.

In closing, on behalf of the Board of Directors, I would like to express our recognition and gratitude to all those who have contributed to the consolidation and growth of Moza Banco, especially our Employees, for the committed and professional way in which they have conducted their mission, to our Customers for maintaining their confidence in this Institution, to our Shareholders for their loyalty and for all the support they have given us and also to the Supervisory and Governmental Authorities for their availability and support in the process that the Bank has been developing.

A word of gratitude to all, but also of commitment and determination so that, with hard work, rigour, and quality, we can repay the trust placed in us.

Chairman of the Board of Directors

2. Main highlights

2.1. Main indicators

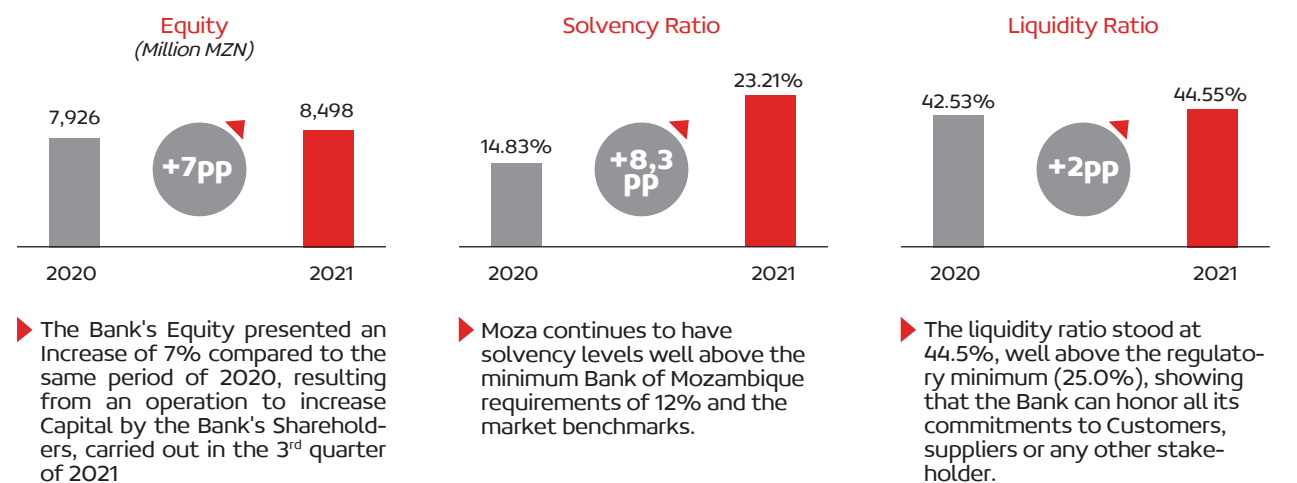
Main indicators (in thousands of Meticals)	2020	2021	" Var. % 2021 - 2020"
BALANCE			
Total Assets	47 533 516	45 108 113	-5%
Customer Credit (Net) ¹	24 410 709	22 070 821	-10%
Customer resources	35 150 178	32 753 139	-7%
Transformation ratio (Credit/deposits)	82%	75%	-6,8 pp
COMPETITIVE POSITIONING²			
Market share in Customer Credit	10,30%	8,49%	-1,8 pp
Market share of Deposits	6,10%	5,67%	-0,4 pp
Market Share of Assets	6,10%	5,62%	-0,4 pp
PROFITABILITY			
Gross Operating Income	560 785	2 160 616	285%
Banking Product	2 989 677	4 515 600	51%
Financial Margin Ratio	1,60%	2,29%	0,6 pp
Return on Equity (ROE)	1,87%	-9,18%	-11 pp
ROA	0,31%	-0,40%	-0,7 pp
PRUDENTIAL LIMITS			
Tier I	19,09%	26,42%	7,3 pp
Solvency Ratio	14,83%	23,21%	8,3 pp
Liquidity Ratio	42,53%	44,55%	2,0 pp
ASSETS QUALITY			
Credit overdue > 90 days	4 385 832	3 571 888	-18,6%
Total Credit overdue	4 445 372	3 719 990	-16,3%
Credit impairment	4 529 768	2 655 386	-41,4%
Credit overdue > 90 days/Customer credit	15,50%	14,64%	-0,8 pp
Credit impairment/ Credit overdue > 90 days	103%	74%	-28 pp
Credit impairment/ Total Credit overdue	102%	71%	-30 pp
Credit impairment/ Customer credit	16%	11%	-5,1 pp
EFFICIENCY			
Operating Costs	3 395 756	3 398 537	0%
Other operating expenses	1 103 318	1 159 876	5%
Personnel Costs	1 716 161	1 733 513	1%
Amortizations	576 277	505 148	-12%
Operating costs/ Total Assets (%)	7,1%	7,5%	0,3 pp
Cost-to-income	100,5%	67,2%	-33 pp
FSE/Banking product	36,9%	25,7%	-11 pp
RH/Banking product	57,4%	38,4%	-19 pp
BUSINESS INDICATORS			
Banking Agencies	70	63	-10%
Nº of ATMs	118	108	-8%
Nº of Kiosks	21	21	0%
Nº of POS	2 729	3 515	29%
Nº of Employees at the end of the financial year	925	917	-1%
Nº of Clients	171 232	169 669	-1%
Nº of Cards in the Network	110 952	138 163	25%

¹ Loan portfolio less impairment

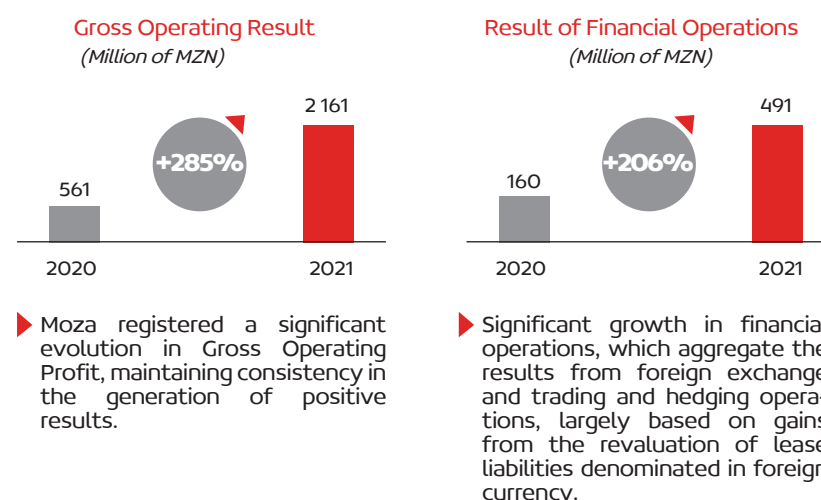
² Statistical information from Bank of Mozambique, December 2021
pp = percentage points

2.2. Main highlights

SOLIDITY



ROFITABILITY



3. Moza Banco

Brief Description

Moza Banco, S.A. (hereinafter Moza Banco, Moza or the Bank) is a universal retail bank, which operates in the Mozambican market since 16 June 2008, and provides banking services throughout the country, based on a network of 63 bank branches (3rd largest branch network in the Mozambican banking system), offering products and services to a wide range of institutional, corporate, individual, and retail customers.

The Bank's capital structure is supported by five shareholders, namely KUHANHA - Sociedade Gestora do Fundo de Pensões dos Trabalhadores do Banco de Moçambique, Arise B.V., Moçambique Capitais, S.A., Novo Banco Africa S.G.P.S, S.A. (Portuguese Bank) and Dr. António Almeida Matos.

Key Historical Milestones

- ▶ We opened our doors for the first time in 2008.
- ▶ In 2011, just 3 years after starting operations, the prestigious magazine, 'The Banker', from the Financial Times group, ranked Moza Banco as the fifth fastest growing Bank in Africa in relation to assets.
- ▶ Inspired by the success and favorable winds of economic growth in Mozambique, we looked to the future and saw new possibilities. We then began an expansion programme in 2014, with the aim of increasing the accessibility of our services and being closer to our Customers and the general public, taking on the challenge of becoming the benchmark 'Universal Retail Bank' in Mozambique.
- ▶ In 2015, the Bank ensured full national coverage, marking its presence in all provinces of Mozambique.
- ▶ In June 2017, as part of the Bank's recapitalization process, Kuanha (Sociedade Gestora do Fundo de Pensões do Banco de Moçambique) joined the Bank's shareholder structure, with a 79.3% stake;
- ▶ In December 2018, Arise (the management company of a leading investment fund in Africa with sustainable partnerships with financial entities in Sub-Saharan Africa and participated by FMO, Norfund and Rabobank), became part of Moza's shareholder structure, with a 29.80% stake. Also in December 2018, Moza materialized the objective of acquiring 100% of the shares of Banco Terra Moçambique (BTM), with the objective of a subsequent merger between the 2 institutions.
- ▶ The successful financial reorganization and restructuring programme implemented by the Bank, after the Central Bank's intervention in 2016, and which allowed Moza to once again position itself among the 5 largest Banks in the country, was in 2019, the target of recognition by 'The Banker' magazine, which awarded Moza the Award 'Deal of the Year 2019 for restructuring in Africa', i.e. the best Financial Restructuring Operation of the Year 2019, at the level of the African continent.
- ▶ On 26 August 2019 and following the necessary approval of the Regulatory and Supervisory Authority, the merger between Moza Banco and Banco Terra S.A. was formally completed, opening a new page in our history, and marking a decisive step towards the construction and consolidation not only of our Institution but also of the Financial System itself, which is intended to be more robust and truly at the service of the national economy.
- ▶ In 2020, only 3 and a half years after the operation of deep operational restructuring, financial reorganization and reconfiguration of the capital structure, carried out following the intervention of the Central Bank, Moza Banco managed to obtain a positive net result of 146 million meticais, thus reaching Break Even.

Moza Brand

The awareness of the Moza Banco brand has evolved continuously and consistently over the years, which presupposes a strong link with our Customers and the market, revealing recognition and trust.

As a result of this trust, supported by a superior quality service, Moza was in 2021, for the second consecutive year, elected the best regional Bank in Southern Africa in an event that rewards the best players in the Banking and Finance sector in the continent, each year.

The awards are promoted by African Banker Magazine with the high patronage of the African Development Bank (ADB) and are essentially aimed at praising the achievements of companies and individuals who contribute to the transformation and development of the financial sector on the African continent. It was in this context that Moza was distinguished as the best in the Southern African region. The extraordinary evolution of the commercial activity indicators that the Bank has been registering, the expansion of the branch network, the quality of the service provided, embodied by the availability of value-added products and services for Customers and the expanded market all played a part in this distinction.

The expansion of our services to more points in the country, through the opening of new branches in locations which, until then, did not have banking coverage, also contributed towards strengthening the Moza Brand.

Another important aspect is the process that began in the middle of the year of renewing the external image of our branches throughout the country, adjusting them to the new elements of the Moza brand. With this initiative we seek to transmit more effectively the liveliness and dynamism intrinsic to the brand, increasing notoriety and facilitating identification.

In 2021 we continue to identify and create the best opportunities for the financial success of our Customers, Employees, and shareholders. As well as praising and sharing the ethical values that inspire a better future for the country.

4. Main Events in 2021

4.1 Main events in 2021

From the numerous activities carried out in 2021 and which will be permanently marked in the Bank's history, the following stand out:

FEBRUARY

"Rehabilitation" of Hospital Geral de Mavalane

As part of the Bank's efforts to fight Covid-19, Moza supported the rehabilitation of Hospital Geral de Mavalane to provide that health unit with a bigger and better capacity to attend to Covid-19 patients. The Bank's support consisted of sanitary ware and carpentry and electrification material.

MARCH

Issuance of USD 7.500.000 in bonds to support new business

With the issue of a bond loan, by private subscription in the amount of USD 7.500.000 (seven million, five hundred thousand US Dollars), aimed at supporting new business in the Country, Moza Banco became the first Bank in the national financial market to issue bonds in foreign currency, under the regulatory context that guides the issue of securities in the country.

Donation to HCM of the 1st surgical machine to treat laryngeal papillomatosis

As a way of minimizing the suffering of hundreds of children suffering from laryngeal papillomatosis, Moza Banco donated a CO₂ machine to the Otolaryngology Department at Hospital Centra de Maputo, which will enable surgical treatment of the disease at the largest health unit in the country, thus giving back a smile and hope to the children affected by the disease.

APRIL

Launch of the 1st Edition of Moza Banco Journalism Prize

Took place in April, the launch of the 1st Edition of the Moza Banco Journalism Award, with the theme: "**Gender based violence in times of Covid-19**". The competition aimed to encourage the media professionals to investigate, produce and publish articles on gender violence, and reward excellence in journalistic activity in the social area. The awarding of the best works published in the national media took place in December and covered three categories: Written Press, Radio, and Television.

JUNE

Re-election of Moza Banco as the best bank in Southern Africa

For the second consecutive year, Moza Banco was elected **the best regional bank in Southern Africa** by African Banker magazine - a prestigious African financial publication that, in cooperation with IC Events and Business in Africa Events, annually awards prizes to personalities and banks that have driven the development of the financial sector and the rapid transformation of the African continent. It is in this context that Moza Banco stood out once again in the Southern region of the continent.

Launch of "AZAPP", a WhatsApp Banking solution

Following the strategy of transformation and digital inclusion, aimed at providing Customers and the market with increasingly simple and comprehensive ways to access financial services, the Bank launched AZAPP - the WhatsApp Banking service that allows Customers to access their account, make payments, consultations, transfers, purchase recharges, among other useful operations in their daily lives via WhatsApp. AZAPP also allows you to update documents, without having to go to the Bank. Another Moza innovation!

Partnership with Clube Desportivo de Maputo

Moza Banco and the centenary Clube Desportivo de Maputo signed a Memorandum of Understanding aimed at supporting the rehabilitation and modernization of the club's infrastructures. Through this agreement, the Bank becomes a strategic partner of Grupo Desportivo de Maputo, committing to support the Men's and Women's Senior Basketball teams and especially the training of young athletes in the same sport.

JULY

New Chief Executive Officer takes office

In line with the best international practices in the financial sector, the Bank adopted a new Corporate Governance model, which was embodied in the separation of the functions of Chairman and Chief Executive Officer. In effect, the Manager with vast experience in Banking, Mr. Manuel Soares, was appointed to exclusively perform the duties of Chairman of the Executive Committee (CEO) of Moza Banco, who began his duties in July.

AUGUST

Inauguration of the Zumbo Branch - Tete

The President of the Republic, Filipe Nyusi, on August 2 inaugurated the first bank branch in the district of Zumbo, Tete province. The opening of this branch of Moza Banco is part of the presidential initiative 'One District, One Bank', of which Moza is one of the driving institutions having, under the same, opened 16 bank branches.

SEPTEMBER

E-Mola Signing of the interoperability protocol with the E-Mola digital wallet

Since September it has been possible for Moza Banco customers to make multiple money transfers in a single operation to the Movitel electronic wallet, e-Mola, with the signing of an interoperability protocol between the two institutions. The service allows transactions between Moza and e-Mola users through the channels Moza já (*247#), Moza Mobile, Moza NET and AZAPP (WhatsApp Banking), and e-Mola through USSD *898# or the e-Mola App. This feature also allows Customers to pay for services (Water, Internet, TV), buy top-ups and make payments to individuals.

OCTOBER

Re-opening of Nacala-Ontupaia branch

The District of Nacala now has one more Moza branch, with the reopening of the Nacala - Ontupaia branch, which resumed its activities in October, thus facilitating access to financial services in that part of the country. With the reopening of the Ontupaia branch, the number of Moza Banco branches has risen to 63, reinforcing the Bank's position as having the 3rd largest branch network in the country.

Participation in the Conference "Meet and Use SME Finance"

Moza Banco participated in the 6th edition of the Conference "**Know and Use SME Financing (Conheça e Use Financiamento PME)**", which took place in the Chokwé district, Gaza province. The event, organized by the Institute for the Promotion of Small and Medium Enterprises (IPEME, abbreviation in its original form), aimed to disseminate financing lines, facilitate the interaction between the Bank and Micro, Small and Medium Enterprises and assist SMEs in matters of financial literacy.

DECEMBER

Launch of the Fernando Leite Couto Literary Prize

As part of the partnership between the Bank and the Fernando Leite Couto Foundation (FFLC, abbreviation in its original form) aimed at encouraging the production of actions linked to the development of culture and literature, the 'Fernando Leite Couto Literary Prize 2021' was launched in December, a literary competition created in 2017 by the FFLC and aimed at promoting and rewarding young Mozambican writers. The 2021 edition of the prize is sponsored by Moza Banco.

Ungulani Baka Khosa's book launch event

Moza Banco is the official sponsor of the most recent literary work of the renowned Mozambican writer Ungulani Ba Ka Khosa. This is the second edition of the prose book 'Os Sobreviventes da Noite', in which the writer describes in detail and in an unusual way the historical reality of Mozambique in the post-independence period.

The work of the publisher Cavalo do Mar was presented to the customers and collaborators of Moza Banco in Maputo in December.

Christmas Solidarity

On the occasion of Family Day, the Bank, in coordination with the Ministry of Gender, Children and Social Action, donated waterproof mattresses and hygiene products to the Centre for the Care of Adolescents and Young People with Profound Disability. The support aims to improve the quality of life of the beneficiary citizens and provide moments of joy and fun during the festive season.

5. Shareholder Structure and Governing Bodies

5.1 Shareholder Structure

On 12 October 2021, the General Meeting of Shareholders of Moza Banco approved the increase of the institution's share capital in the amount of 1,953,000,000.00 MT (one thousand nine hundred and fifty-three million meticais).

On 19 November 2021, in compliance with the deliberation of the General Meeting, the share capital of Moza Banco increased from 3.943.250.000,00 MT (three thousand, nine hundred and forty-three million, two hundred and fifty thousand Meticais) to 5.896.250.000 (Five thousand, eight hundred and ninety six million, two hundred and fifty thousand Meticais).

With the increase in share capital, changes were registered in the shareholder structure of Moza Banco, with regard to the shareholders' participation in the company, as shown in the table below:

Shareholders	Number of shares	Nominal Value (In Meticals)	Percentage of capital
Kuhanha S.A	742.691	3.713.455.000	62,9799%
Arise B.V.	351.390	1.756.950.000	29,7977%
Moçambique Capitais, S.A	43.435	217.175.000	3,6833%
NB ÁFRICA, SGPS, SA	41.732	208.660.000	3,5389%
António Matos	2	10.000	0,0002%

Moza Banco	1.179.250	5.896.250.000	100%
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The geographical distribution of shareholders also changed in 2021, and the highlight continues to be the weight of Mozambican shareholders, which represent 66.6634% of the total number of shares, demonstrating that Moza continues to be the only Mozambican financial institution whose share capital is majority held by national entities.

Origin	Percentage of capital
Mozambique	66,6634%
Netherlands	29,7977%
Portugal	3,5389%
Total	100,0000%

5.2 Governing Bodies and Governance Model

The Governing Bodies of Moza Banco are the General Meeting of Shareholders, the Audit Committee and the Board of Directors. The Governing Bodies of Moza Banco are elected at the Shareholders' General Meeting.

The Board of Directors for the four-year period 2020-2023 was appointed at the General Meeting of Shareholders held on 30 March 2020 and the Audit Committee for the same period was appointed at the General Meeting of Shareholders held on 15 September 2020.

At the General Meeting of Shareholders on 12 October 2021, two members of the Board of Directors were elected for the four-year period 2020-2023 and due to the resignation letter of a member of the Audit Committee, another member was appointed in his place, as auditor.

On 31 December 2021, the composition of the Governing Bodies of Moza Banco was as follows:

General Meeting

Chairman of the General Meeting	Lourenço Joaquim da Costa Rosário
Vice-chairwoman of the General Meeting	Maria Violante Jeremias Manuel
Secretary of the General Meeting	Sara Mondego Marques

Board of Directors

Chairman	João Filipe de Figueiredo Júnior
Administrator (Executive)	Manuel Jorge Mendes Soares
Administrator (Non-Executive)	Manuel Jorge Aranda da Silva
Administrator (Non-Executive)	Wilfred Jeroen Scheelbeek
Administrator (Non Executive)	Angélica Macave

Audit Committee

Chairwoman	Irene Luzidia Maurício
Vice-chairwoman	Anastácia Sebastião Chamusse Cuna
Member	Nuno Gonçalo Gomes Domingues
Alternate	Isaltina José Franco Mahumane Nhabinde

Governance Model

The General Meeting of Shareholders is the highest governing body of the company and represents the entire Shareholder universe. Its decisions are binding for all, Shareholders, and the Company in general, when taken under the terms of the law and the statutes.

Moza Banco adopts a governance model in which responsibility for the management of the company is attributed to the Board of Directors, which delegates the day-to-day running of the business to the Executive Committee, while the Audit Committee is responsible for supervision.

The Executive Committee was appointed by the Board of Directors on 30 March 2020, and its term of office coincides with that of the Board of Directors that appointed it, that is, for the 2020-2023 four-year period.

At the Board of Directors of 02 June 2021, the new Chairman of the Executive Committee was appointed following the resignation of the previous Chairman of the Executive Committee. Thus, on 31 December, the Executive Committee of Moza Banco was as follows:

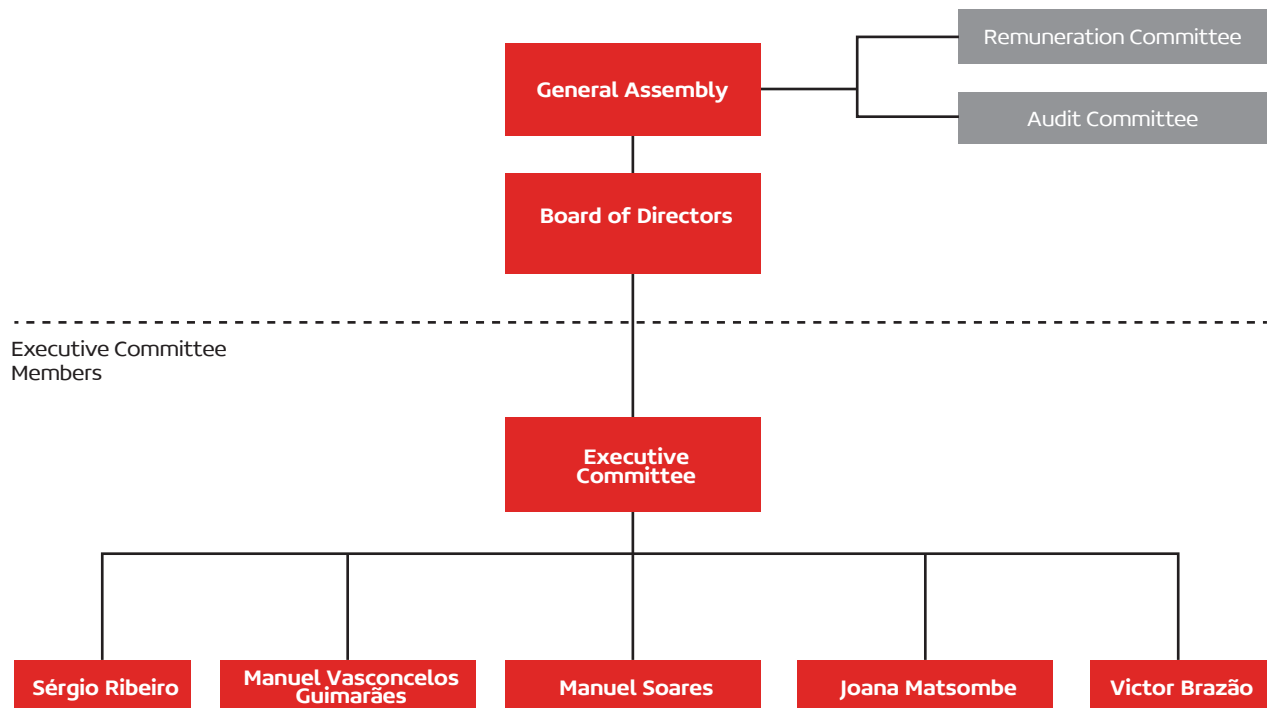
Executive Committee

Chairman	Manuel Jorge Mendes Soares
Member	Joana Jacinto David Matsombe
Member	Manuel Duarte Emauz de Vasconcelos Guimarães
Member	Vítor Manuel Latas Brazão
Member	Sérgio Eduardo Ribeiro

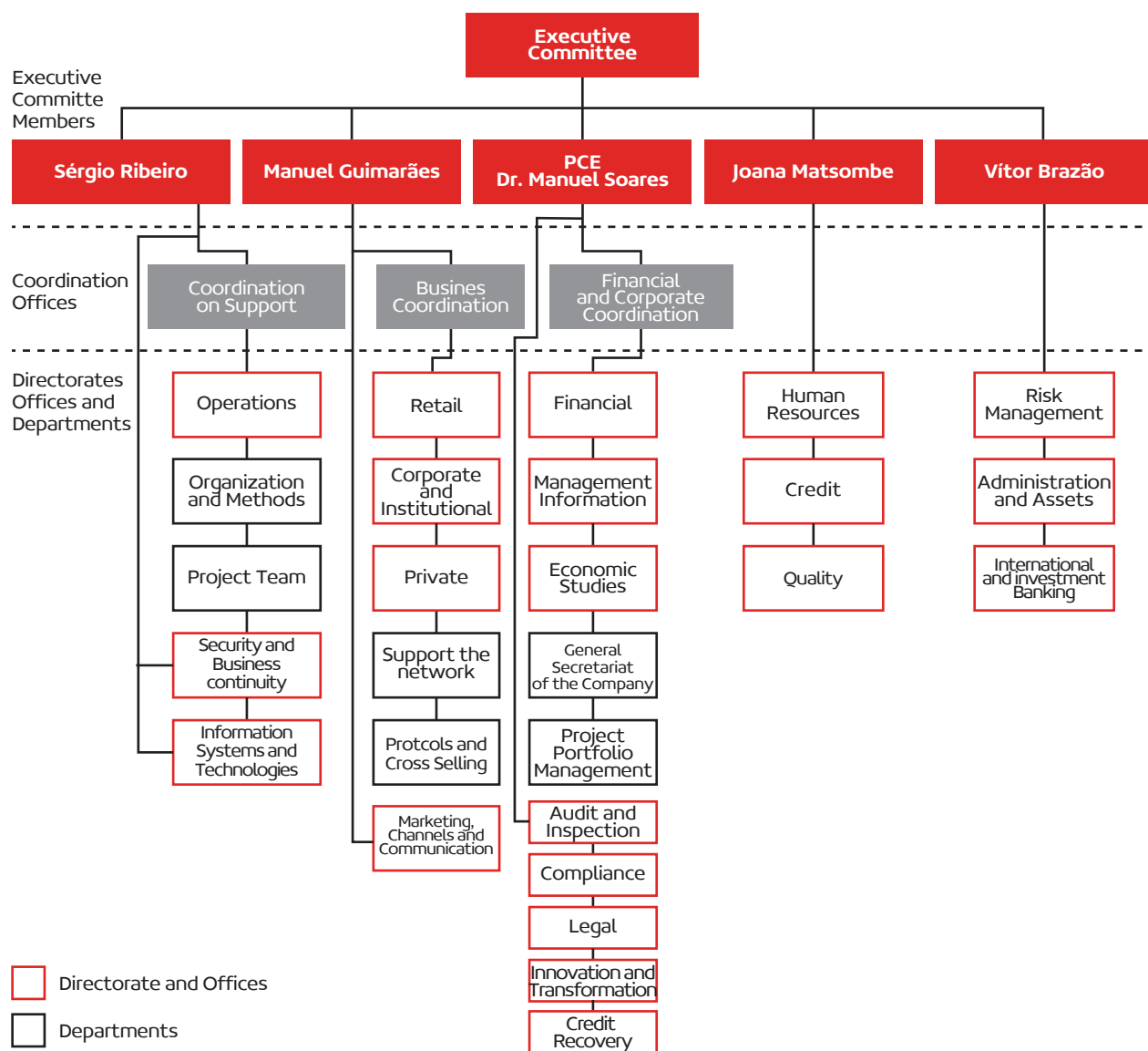
Additionally, the Board of Directors is responsible for appointing the Company Secretary and the term of his/her functions coincides with the mandate of the Board of Directors that appoints him/her, and he/she is responsible, among other activities, for guiding and supporting the Bank's Governing Bodies in matters of corporate governance, legality, and administrative matters, in addition to supporting the meetings of the Board of Directors and other Governing Bodies.

The Remuneration Committee has consultative functions regarding the remuneration policy to be applied to the Governing Bodies of Moza. It should be noted that the remuneration policy for members of the company's Governing Bodies is reviewed annually.

The organizational structure of Moza Banco, at the end of the financial year 2021, presented the following composition:



With regard to the distribution of powers and responsibilities among the Members of the Executive Committee by the various Departments of the Bank, as at 31 December, they were segregated as follows:



To assist in the day-to-day management of the Bank, at the end of 2021, the institution had the following functional Committees:

Management Board

A consultative body whose main function is to support the Executive Committee in assessing the performance of the Bank's activities, seeking to ensure the level of compliance with the defined objectives and to propose the appropriate strategic measures for achieving them. This forum brings together the entire management structure of the Bank, promoting a participative and broad-based management.

Assets and Liabilities Committee (ALCO)

It is the Executive Committee's advisory body for implementing the financial policy defined for the Bank, on the form of integrated management of assets and liabilities, ensuring the implementation of actions within the scope of standards and procedures aimed at the effective management of market (foreign exchange, interest rate, repricing) and liquidity risks. It plays an active role in the preparation of pricing policy proposals, based on the timely assessment of internal and external macroeconomic developments.

Risk Committee

A body with consultative functions responsible for advising the Board of Directors on the effective management of risks, in accordance with the best organisational practices in this field and the requirements of Notice no. 4/GBM/2013 - Risk Management Guidelines, proposing policies, methodologies and procedures for the assessment, management and control of all types of risk to which the Bank is exposed.

Operational Risk Committee

Body with advisory functions, delegated by the Executive Committee, responsible for the operational risk management process (interconnecting to compliance, reputational and IT risk) in the various sources pointed out by Notice 04/GBM/2013 Risk Management Guidelines.

Trade and Business Committee

Body responsible for monitoring the activity of the different segments (Retail, Private, Corporate, and Institutional), coordinating current initiatives and monitoring projects in each segment.

IT Projects and Development Committee

This is a consultative body, whose main function is to assess and debate issues related to the management of the Bank's IT developments, aligning Information Technology (IT) capacity with business requirements, and allowing greater control over ongoing developments. Its objective is to ensure that the Bank's strategic IT priorities are met, to provide a status report and control of ongoing initiatives in the Information Systems and Technologies Department (ISTD), to ensure alignment between initiatives and visibility over the portfolio and to overcome barriers in the logic of day-to-day IT management (prioritization).

Audit Committee

A body subordinated to the Board of Directors whose mission is to provide independent and objective assessment services, which are designed to add value and improve its operations, thereby ensuring and improving the effectiveness and adequacy of the risk management, internal control, and governance processes. It assists the Bank in pursuing its strategy and objectives through a systematic and disciplined approach to evaluating its activity.

6. Vision, Mission and Strategy

Vision and Mission

Moza Banco's Vision is to be the reference Bank in Mozambique in the provision of quality financial services to the Retail, Private, Corporate, and Institutional segments in accordance with the criteria of effectiveness, efficiency and profitability established by its shareholders and implemented by its management.

Its Mission is to provide high quality financial products and services with high standards of efficiency to its customers, aligning strategies to add value for them.

The Bank's values are based on Knowledge, Rigour, Transparency, Customer Orientation, Integrity, Ethics, Innovation and Vanguard.

Strategy

As part of the restructuring of the share capital, the shareholders approved a new Strategic Plan for the period between 2019 and 2023.

The said plan comprises three phases, namely:

- ▶ **First phase of the cycle, called Integration phase (2019)**, where emphasis was given to the integration of the former BTM into Moza Banco, leveraging the assets of both institutions, in particular human capital, promoting internal training and orientation by objectives, in order to contribute to increased productivity and internalization of systems and processes, to the detriment of outsourcing, thus reducing dependence on suppliers.
- ▶ Also in this context, the implementation of a set of initiatives is planned with the aim of making the Bank more efficient through process optimization.
- ▶ **Second phase of the cycle, called the break-even phase (2020 to 2021)**, in which the focus has been on continuing commercial development, capitalizing on the branch network and internal human capital, providing products and services of added value to the Customer, while the bank continues to optimize the operational structure, processes and systems.
- ▶ **Third phase of the cycle, called the profitability phase (2022 to 2023)**, in this phase attention must be paid to aspects that foster rigour, responsibility and a culture focused on human capital, in order to consolidate the levels of productivity obtained, operational excellence and innovation, contributing to the consolidation of Customer satisfaction.

Also in this context, Moza's business strategy is based on the following segments:

- ▶ **1. Retail Banking:**
Moza intends to ensure differentiation in the market by the quality of the service provided and by offering innovative products and services in the Individuals segment, on the one hand and, on the other hand, it intends to retain the loyalty of SMEs and promote strong resource-taking.
- ▶ **2. Institutional:**
Moza intends to increase its portfolio of State sector Clients by offering products/services to local government and sector funds.
- ▶ **3. Corporate:**
in this segment, the Bank intends to promote an integrated offer of products and multichannel services in order to foster a relationship of partnership and proximity.
- ▶ **4. Banca de Investimento:**
Moza will promote financial advisory services for the structuring of financing adapted to the needs of large projects.
- ▶ **5. Recuperação:**
Moza will manage its Overdue Loan Portfolio in an integrated, proactive, and swift manner, reducing impairment costs and enabling the release of capital.

Regarding the level of execution of the Plan for the first and second phases of the 'Integration' and 'break-even' cycle, in general terms, and notwithstanding the continuation of an adverse economic environment, we can safely say that the Bank achieved its objectives. It should be noted that already in the first year of this cycle the Bank registered a positive result, which clearly evidences compliance with the plan stipulated by the Shareholders, even though the activity was carried out in an adverse context, due to the Covid-19 Pandemic. The gross operating results for 2021 show the growing trend of positive results from the Bank's activity, with the losses recorded resulting from the need to remove from the Balance Sheet, a single matured exposure that due to the legal complexity involved will take many years to be recovered.

7. Bank's response to Covid-19 challenges

ADDRESSING THE CHALLENGES OF COVID-19

In 2021, despite the relative trend of stabilization of the disease, the impacts of the Covid-19 pandemic continued to be felt at various levels and in various sectors.

As a socially responsible Bank, we continued throughout the year to pay special attention to the safety and well-being of our stakeholders, including Employees, Customers, partners, and the Community in general, having to this end proactively implemented a set of preventive measures aimed at minimizing the impact of the disease. Amongst such measures we highlight the following:

- ▶ Vaccination of Employees and their families.
- ▶ Reinforcement of protection measures, with the installation of acrylic screens at workstations in Central Services and at points of contact with customers at branches.
- ▶ Strengthening the dissemination of information and preventive measures about Covid-19 to Employees, Customers and the Public in general through the various channels available to the Bank.
- ▶ Placing an element in charge of managing Customer access to Branches and ATMs, with responsibility for ensuring that they comply with the defined preventive measures.
- ▶ Dismissal of Employees identified as being part of a risk group (due to health issues) to perform their activities remotely, as a result of the increase in the number of cases of infection at the end of the year.
- ▶ Reinforcement of cleaning and disinfection procedures in our premises, Branches, ATMs and Kiosks.
- ▶ Disinfecting and sanitizing material was made available at all our branches.
- ▶ Making it compulsory for all employees to wear protective masks when serving customers.
- ▶ Donation of different hygiene and protection materials to protect against coronavirus.
- ▶ Extension of the validity period of bank cards that expired during the period in which the State of Emergency was in force, allowing Customers in this situation to continue to transact with their cards beyond their expiry date, without the need to go to the Branches to obtain a new card.
- ▶ Promotion of campaigns to encourage the use of Digital Channels.
- ▶ Exemption of commission on transactions made through Digital Channels up to the amount of 5.000,00 Meticals.

Also, in the context of preventing and combating Covid-19, we highlight the following actions and initiatives of a social nature:

Support for the vaccination campaign

Moza Banco, being aware of the various challenges faced in the prevention against Covid-19, joined the Government initiative to ensure the vaccination of a greater number of people, especially those considered most vulnerable.

It was in this context that it provided more than 300 vaccines to the Ministry of Health (MISAU), contributing in this way to the accomplishment of the vaccination plan defined by this institution.

Rehabilitation of Hospital Geral de Mavalane

In order to guarantee a bigger and better capacity to attend to Covid-19 patients, Moza granted support for the rehabilitation of Hospital Geral de Mavalane (HGM), one of the oldest health units in Maputo City. The support consisted of sanitary ware and carpentry and electrification material, which was requested by the Hospital, in order to have a better preparation to attend the patients with coronavirus.

Moza Banco in the scope of its Social Responsibility Policy, which has the health area as one of the main focuses, and aware of the challenges that the situation caused by Covid-19 imposes on all of us, and particularly the Health Units, promptly decided to support the HGM.

Donation of hygiene kits to the districts of Zumbo, Magoé and Marávia and to the municipality of Beira

As part of the inauguration of the Zumbo branch, in Tete province, an event which was honoured by the presence of His Excellency Filipe Nyusi, President of the Republic, the Bank associated a solidarity action with the event, which consisted of the distribution of hygiene kits to the districts of Zumbo, Magoé and Marávia, as part of the fight against Covid-19. A similar initiative took place in the Municipality of Beira, where the donation covered the Goto and Munhava markets, places that, due to agglomeration, are more prone to the risk of contagion.

The donated material consisted of face protection masks, buckets of water, bars of soap, goggles, visors, spray pumps, surgical gloves, alcohol gel, thermometers, sprayers, waterproof suits, gloves, masks, buckets of water, bars of soap, among others.

Institution of the Journalism Prize with the theme “Gender-based violence in times of Covid-19”

The containment that has been observed as a result of the new Coronavirus, despite being determinant to contain the levels of contamination and spread of the disease, has conversely increased the rates of domestic violence within Mozambican families.

Aware of this deplorable reality, and of the preponderant role that the Media has in social transformation and training of citizens, the Bank promoted the 1st edition of the Journalism competition with the slogan: 'Gender-based violence in times of Covid-19'.

The aim of this initiative was to contribute to greater dissemination and awareness of the issue of gender-based violence, as well as to promote a society of pluralism, tolerance and a culture of peace, of equal rights between men and women, appealing to the need for union, prevention and dialogue, as a way of preventing the increase in cases of domestic violence, which increase in times of crisis, such as the one we are experiencing.

Support for art makers

The arts and culture sector are one of the main sectors affected by the Covid-19 pandemic, due to the banning of face-to-face events, closure of cultural and entertainment venues, combined with reduced mobility of people in and out of the country.

Given this scenario, among other projects that Moza has supported in the context of reducing the impact of the coronavirus on the lives of the Mozambican population, the Bank developed a social media initiative, with a view to supporting artists who, given the current situation, find themselves quite limited to exhibit their works and subsequently sell them.

The project, implemented in partnership with Associação Núcleo D'arte (an institution with which the Bank has been collaborating since 2019), consisted in promoting on social networks, with emphasis on the Facebook, Instagram and LinkedIn pages of the two institutions, catalogues with works by artists affiliated to Núcleo D'arte, creating visibility for these materials and their authors, in a protected and safe way: through digital.

This partnership essentially served to disseminate national art and culture and allow artists to have some return for their activity and creativity despite the current adverse context.

8. Social Responsibility

8.1 Social Responsibility

As a Mozambican rooted institution, Moza Banco assumes itself as a socially responsible Bank, conducting its activity with ethics, suitability, transparency and in compliance with legal requirements and in a manner committed to sustainable social and economic development.

Notwithstanding the challenging context that continued to prevail throughout 2021, the Bank maintained its unwavering determination to continue to develop and support various social projects, in line with the Social Responsibility Policy in force at the Bank, and other sector policies, seeking to add value to Communities and to the Country in general.

Amongst the actions carried out during 2021, the following are especially noteworthy:

Partnership with the Fernando Leite Couto Foundation

The relationship with the Fernando Leite Couto Foundation (FFLCV, abbreviation in its original form) began in 2019 with a partnership aimed at encouraging the production of actions linked to the development of culture and literature, in particular, in order to contribute to the socio-cultural development of Mozambique.

Due to the success achieved since then, in late 2021 this partnership was renewed, which enabled the launch of the “Fernando Leite Couto Literary Prize 2021” a literary competition created in 2017 by FFLC and which aims to promote and reward young Mozambican writers.

The launch of this fourth edition of the prize, which marked the formal opening of the application process, took place in December at the Fernando Leite Couto Foundation and was attended, among other distinguished guests, by the writer Mia Couto and the Chairman of the Board of Directors of Moza Banco, Dr. João Figueiredo.

Partnership with Associação Núcleo d'Arte

The relationship with Núcleo D'Arte began in 2019 with a partnership between Moza and that institution for the promotion of art and the works of Mozambican artists. Many new and old stars of the plastic arts found in this partnership a privileged platform for dissemination. However, the need was felt to go deeper, supporting the institution where many are inspired or use as their atelier. In this context, the Bank has renewed the signs indicating the headquarters of the Art Nucleus, as a way of drawing people's attention to one of the institutions that most stimulates national culture.

Besides being a place of creation or exhibition, Núcleo D'Arte is a meeting point for creators and art lovers, even if only to appreciate the depth of beauty. Being this artistic reference, the installations needed an element that indicated them. With Moza's support, they now have one.

This partnership, which is intended to be increasingly strengthened and consolidated, expresses the Value that Moza gives to arts and culture.

Partnership with Clube Desportivo de Maputo

Moza signed a memorandum of understanding with Grupo Desportivo de Maputo on 31 May, which aims to support the rehabilitation and modernization of the club's infrastructures, and will pay special attention to the senior men's and women's basketball teams.

Through this agreement, the Bank becomes a strategic partner of Grupo Desportivo de Maputo, committing itself to supporting the Senior Men's and Women's Basketball teams and the training of young athletes in the same sport.

With this memorandum, we solidify our commitment to sport in Mozambique, boosting the training and emergence of new talent.

Activities within the scope of Women's Month

As part of the celebration of Women's Month, the Bank joined the Freestyle Talkz project to implement a special programming dedicated to Women.

This initiative aimed to connect people, share stories and experiences of Women Entrepreneurs through live broadcasts on social networks. The topics covered were varied, always female and with guest speakers from the four corners of the world.

The association of Moza with this project is part of Moza's commitment to the promotion of Gender equality and Women's valorization.

Donation of surgical machine to HCM

Laryngeal papillomatosis is a little-known disease in Mozambique, which affects hundreds of children. Children who suffer from this disease have many problems, namely, loss of tone of voice, obstruction of the tracheal cannula, coughing and secretions, among others. All these symptoms limit these children from having a normal life, and from doing normal activities such as running, playing, bathing, going to school, among others. Surgery is the most suitable method for treating the disease.

Currently, Hospital Central de Maputo is the hospital unit in the country that performs these surgeries, but lately they have been limited due to the inoperability of the only existing machine.

Aware of this situation, Moza, as part of its Corporate Social Responsibility, decided to donate the 'Laser CO2' machine to the Otorhinolaryngology Department of Hospital Central de Maputo to help in the treatment of this disease and give back the smile to the affected children.

Tribute to Journalist Francisco Júnior

In April this year, on the sidelines of the launch event of the 1st Edition of the **Moza Banco Journalism Award**, Moza paid tribute to the journalist **Francisco Júnior** for his contribution, delivery, and commitment in the production of articles on human rights and gender. The tribute also consisted in a monetary gift to serve as a stimulus in the development of his work.

Francisco Júnior made his name by reporting on cases of child trafficking, among other abuses and forms of violence against women and girls, which were little explored until then. His moving reports revealed a desolate scenario, talked about but little known, which contributed to give more dimension to the phenomenon and to strengthen the measures to combat it.

Donation of IT equipment to the Ministry of Gender, Children and Social Action

In August, the Bank, through the Ministry of Gender, Children and Social Action, delivered various computer equipment to 22 social units (state and private) that provide social assistance to underprivileged children, elderly people, young people removed from the street and disadvantaged populations. The donated material will benefit around 800 users in all the country's provinces.

It consists of 226 pieces of diverse equipment, including 76 desktops, monitors, servers and routers; 50 printers and 100 keyboards.

Donation of "containers" to the Municipalities of Maputo, Matola, Boane, Beira and Nampula

Last November, Moza Banco handed over to the municipalities of Maputo, Matola, Boane, Beira and Nampula, about (8) metal modules where the Bank's branches used to operate in the markets **Xiquelene** (Maputo), **T3, Socimol** (Matola), **Boane** (Boane), **Goto, Munhava** (Beira), **Resta** and **25 de Junho** (Nampula), and an equal number of water tanks with a capacity of 500L each, as well as sanitation kits.

With this initiative, the Bank intends to contribute to municipal development, as the modules will be used to collect taxes and fees, increasing the revenue generation capacity of the beneficiary municipalities.

Supply of bibliographical material to UEM's Faculty of Law

As part of its efforts to strengthen higher education and training in the country, in December the Bank donated bibliographic material to the Universidade Eduardo Mondlane – Faculty of Law (FUEM, abbreviation in its original form).

The donation of this material is part of the Memorandum of Understanding signed between the parties, which aims to contribute to the production and dissemination of knowledge, particularly on issues related to law.

Within the scope of this partnership, Moza has also subsidized scholarships for some students of the Faculty of Law of the UEM selected on the basis of academic merit, thus reducing their inherent costs in the training process.

8.2. Sponsorships

One of the guidelines of Moza Banco's Social Responsibility policy is to promote engagement with the external public through sponsorships and social investments, to be carried out as a priority in regions where Moza Banco has a commercial presence.

In this context, the following sponsorships granted during 2021 should be highlighted:

Rehabilitation of boreholes in Niassa

The District of Majune, in Niassa Province, counts since October with 3 more water supply boreholes, rehabilitated with the financial support of Moza Banco.

This action of Moza Banco arises in response to the request of the Majune District Government, which in its regular interaction with the Bank made it known that one of the challenges faced by the District was the low capacity to supply water to the population, with coverage of around 56.2%. In order to improve the supply capacity of this precious liquid, and in the scope of the good relations between the Government and the Bank, Moza promptly accepted the request, supporting the Water and Sanitation sector through the rehabilitation of 03 water supply boreholes, which were inoperative.

Sponsorship of the literary work " Os Sobreviventes da Noite " by Ungulani Ba Ka Khosa

Moza Banco is the official sponsor of the most recent literary work of the renowned Mozambican writer Ungulani Ba Ka Khosa. This is the second edition of the prose book 'Os Sobreviventes da Noite', in which the writer describes in detail and in an unusual way the historical reality of Mozambique in the post-independence period.

The book, published by Cavalo do Mar, was presented to the customers and employees of Moza Banco in December in Maputo.

The sponsorship to this publication is a clear demonstration of the commitment and value that the Bank gives to Mozambican culture.

Support to the project "Mulher +"

Also, as part of the promotion of gender equality and female entrepreneurship, Moza Banco sponsored the 'Mulher+' contest, an ICEF initiative aimed at promoting the culture of female entrepreneurship, creating networking, sharing experiences among women from different professional areas and developing financial literacy activities.

'Mulher +' is an innovative concept that aims to have a social and economic impact on the world of Mozambican entrepreneurship, highlighting the value of women. The aim of this initiative was to give a voice to the actions, ideas, and initiatives of anonymous women whose work creates an impact on the lives of the people around them, local communities, and who can be examples of success for the world in general.

A total of 6 groups, composed of 30 women each, were involved in this project, and the big winner was announced on 5 June. This is the Kussila Group, which presented a food processing project with the aim of reducing cooking time and improving quality. The winning group received funding from Moza Banco for presenting the best project, according to the jury's classification.

Support for the national judo champion - Jacira Ferreira

As part of its contribution to the massification of sport and appreciation of Mozambican athletes, Moza Banco supported the participation of the national judo team athlete, Jacira Ferreira, in some international competitions that took place in 2021, especially the African Judo Championship and the World Judo Championship, which took place between May and June, respectively.

Jacira Ferreira is the national champion for the last 6 years and is currently the number 1 female judo athlete in Mozambique, in the '52kg' category, and the second best in the ranking for the qualification of the 2021 Olympic Games.

This Moza Banco initiative is part of the support for the internationalization of national sport, as a vehicle for projecting the country on the world stage.

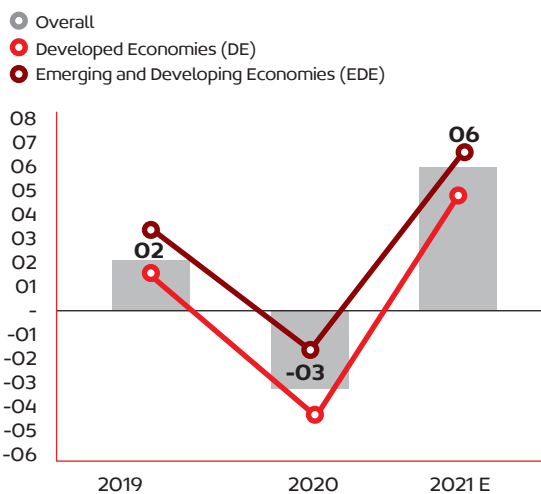
9. Macroeconomic Framework

9.1 Global Economy

Evolution of the GDP (Gross Domestic Product)

The approval of anti-Covid-19 vaccines and the start of campaigns to distribute them internationally have provided more favorable expectations for the evolution of economies in 2021, notwithstanding the emergence of new variants (delta variant).

Overall Economic Growth (%)



Note: E - Estimates

Source: World Economic Outlook 2022

The global economy is estimated to have experienced real growth in the order of 5.9%. This is the strongest record of global economic activity in the last 80 years, reflecting the increase in global demand accompanying the relaxation of restrictive measures on the movement of people and goods to contain the Covid-19 pandemic in the various economies. Commodity-dominant economies were favorably impacted with increased export revenues during 2021, taking advantage of the historical highs reached across the board in commodity prices. The anticipated slowdown in real growth of the global economy will be partially offset by the more favorable performance of economies with strong dominance in commodity exports. The performance of the world economy was impressive even in the context of bottlenecks in the value chain of goods distribution as well as the slower distribution of Covid-19 vaccines in developing economies. In addition, the combined effect of high transmission rates of the Delta variant, increased uncertainty about the possibility of new virus strains emerging in the near term and low vaccination rates in developing economies justified global economic activity marginally below initial projections.

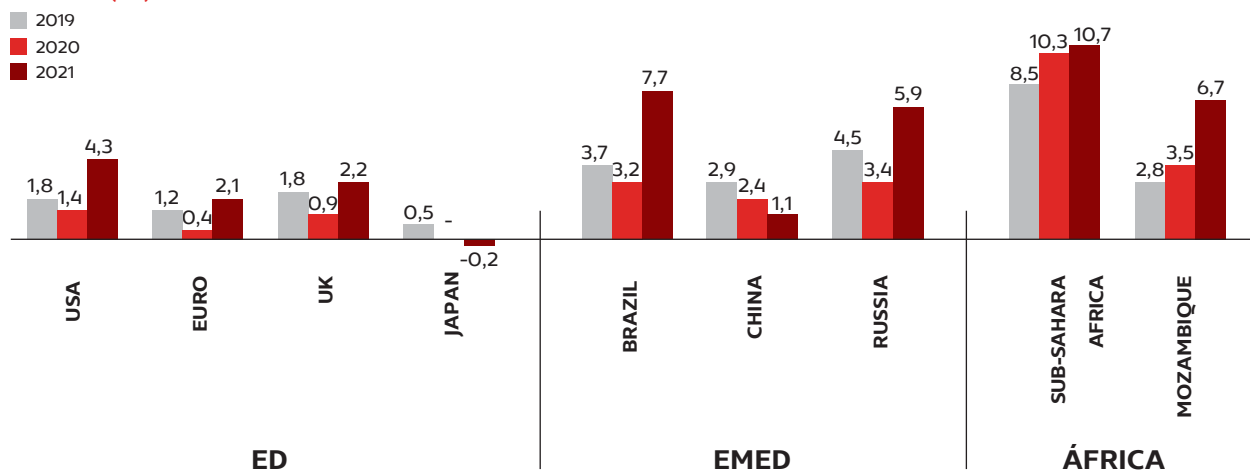
Evolution of inflation

Throughout 2021, inflation increased sharply influenced by the increase in demand for goods and services - stimulated by the relaxation of prevention measures against Covid-19, mainly in advanced economies that have reached satisfactory levels of immunization of the population - and the worsening of constraints in the global value chains of distribution of goods - the shortage of raw materials, intermediate goods and labor, insufficient means for international cargo transport conditioned the supply of goods in the world.

Annual inflation in developed countries accelerated from 0.7% in 2020 to 2.1% in 2021. In Europe's emerging markets, annual inflation varied from 5.4% to 8.4% between 2020 and 2021. In sub-Saharan Africa, annual inflation rose from 10.3% in 2020 to 10.7% in 2021. On the other hand, in emerging markets in Asia, annual inflation decelerated from 3.1% to 2.3% over the same period. This deceleration in emerging markets in Asia was essentially due to the adoption of less restrictive policies to contain the pandemic in some countries in the region, such as China, Taiwan, and South Korea.

In emerging and developing markets, central banks generally adopted a restrictive monetary stance, reflected in the increase in reference interest rates. In the advanced economies of the United States of America, the Euro Zone and Japan, strong fiscal stimuli were introduced to support companies and households adversely affected by the pandemic. In the United States of America, the implementation of such strongly expansionist measures also contributed to the acceleration of the highest inflation in the country's history.

Inflation (%)



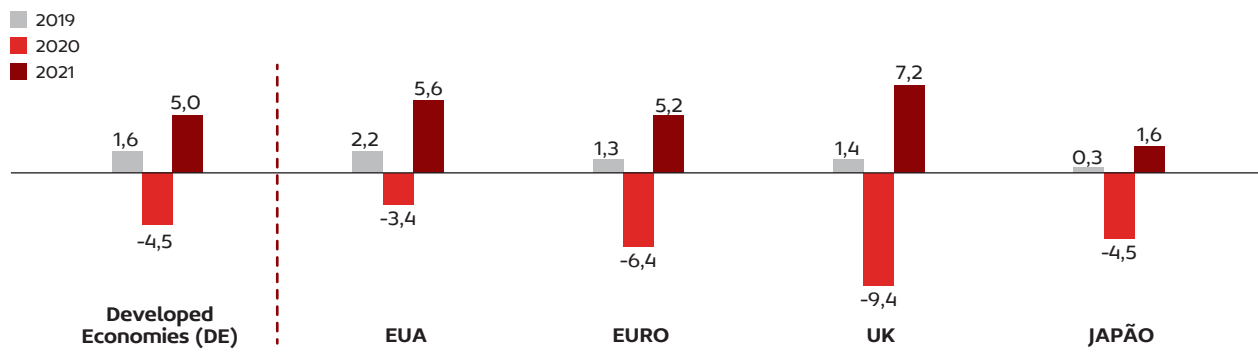
Source: FMI - World Economic Outlook Out. 2021

INE - Índice de Preços ao Consumidor, Dezembro 2021

Developed Economies

The developed economies saw a vigorous recovery in 2021, with real production growth estimated at around 5.0% against -4.5% in 2020. This result was essentially achieved by the adoption of strongly expansionary fiscal and monetary policies, particularly in the United States of America, the Euro Zone and the United Kingdom. Contributing to the strong generalized recovery in advanced economies were the combined effect of the implementation of robust packages of direct transfers of various financial support to companies and people adversely affected by the pandemic (e.g. in the United States of America, the Senate approved in June 2021 a package of 1.9 trillion dollars for this purpose), the injection of liquidity into the financial system through the purchase of assets (e.g.: 750 billion recovery plan in the Eurozone) and the use of forced savings by consumers in a context of relative relaxation of prevention measures against the Covid-19 pandemic (particularly in the first half of the year). However, the firm acceleration of economic activity in the advanced economies also promoted inflationary pressures in 2021, with the United States of America having annual inflation of 7.0%, a record high since 1982. Inflationary pressures were further accentuated by disruptions in the supply chains and rising energy prices, an all-time high since June 1982.

Economic Growth in Developed Economies (%)



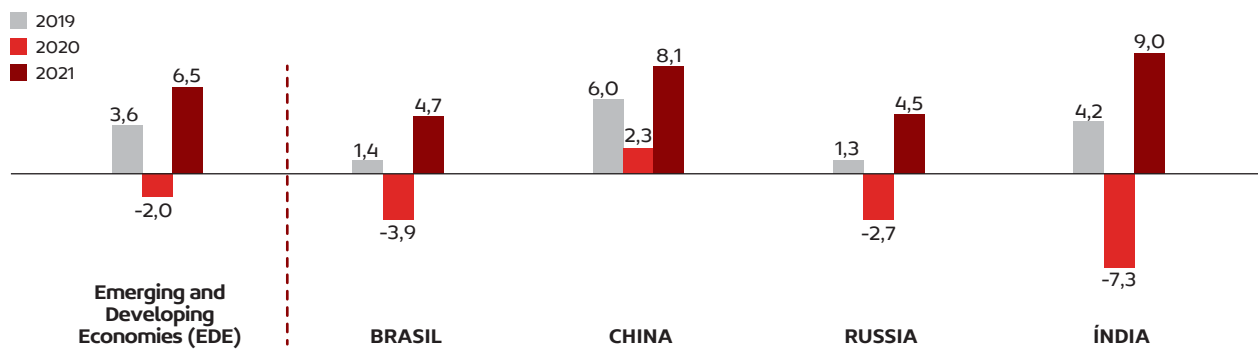
Note: DE – Developed Economies; E- Estimates
Source: FMI – World Economic Outlook, 2022

Emerging and Developing Economies

Output in emerging and developing economies is estimated to have expanded by 6.5% in 2021, 0.2 percentage point higher than previously forecast. Many of the countries benefited from a recovery in domestic demand driven by a rebound in external demand - high commodity prices helped revive economic activity in exporting countries, especially in the Middle East and Africa - and substantial increases in expatriate remittances.

However, the economic recovery observed in 2021 in the various emerging and developing economies was not yet sufficient to return to the production levels reached in 2019. The resurgence of new cases of Covid-19 and low vaccination rates in low-income countries have extended the enforceability period of mobility restrictions, constraining the momentum of the economic recoveries observed in many countries.

Economic Growth in Emerging and Developing Economies (%)

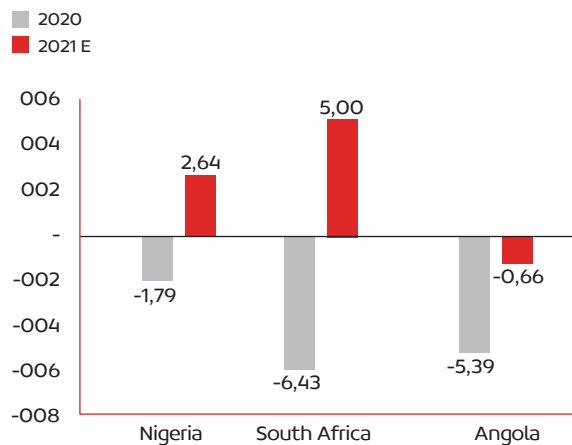


Note: EDE-Emerging and Developing Economies, E-Estimates
Source: FMI – World Economic Outlook, January 2022

9.2 Regional Economy

Output in sub-Saharan Africa increased by about 4.0% in 2021 against the 1.7% recession seen in 2020, an upward revision from the initial forecast advanced by the International Monetary Fund, however, still well below the region's long-term average growth rate. The revision reflects a better-than-expected rebound in activity in the first half of the year amid an improving external environment, including a strong rebound in commodity prices. However, the recovery lost some momentum as commodity prices stabilized and resurgent outbreaks of Covid-19 - exacerbated by delayed vaccine implementation in the region - led some countries to tighten mobility restrictions for Covid-19 prevention (Namibia, South Africa, Uganda). In some countries, the service and manufacturing sectors were again adversely affected. Growing social unrest, insecurity, and civil strife, especially in the Sahel region (Burkina Faso, Chad, Mali, Mauritania, Niger and north-eastern Nigeria) and Ethiopia, further constrained the recovery of investment and consumption.

GDP of Major Sub-Saharan African Economies (%)



Commodities

Energy commodity prices increased in the second half of 2021 and higher levels are expected in 2022. On the other hand, the prices of non-energy commodities stabilized throughout 2021, with some reaching historical highs and others recording negative variations (e.g. metals and fertilizers) due to the increase in energy costs.

In 2021, the prices of natural gas and coal rose particularly sharply, although there was some moderation towards the end of the year. The commodity price developments are attributed to the low level of seasonal natural gas reserves in Europe for the winter season (below the average of the last 5 years) and the strong demand from China for metal production. Natural gas and coal prices are expected to ease from 2021 levels as supply constraints also reduce. Still, international natural gas prices in 2022 are anticipated to remain at levels above those seen in the pre-pandemic period.

Crude oil prices posted the largest annual gain since 2016 (67% compared with 2020), reflecting the increase in natural gas prices that boosted the use of oil as its substitute. International thermal and metallurgical coal quotations saw historic highs in 2021. According to data collected by the World Bank, the lowest international price for thermal coal in 2020 was approximately \$50/ton (in August). In 2021, the highest price for thermal coal was set at \$224/ton (in October). The galloping rise in the international price of coal - currently Mozambique's second largest export earner after aluminum - was due to the combined effect of the following factors:

- Cross-cutting relaxation of containment measures to contain the Covid-19 pandemic, with emphasis on developed economies.
- Increased demand for coal from China to power steel plants - China is the world's largest steel producer and coal accounts for 60% of the country's electricity generation.
- Constraints in coal ore supply chains - China has completely suspended Australian coal imports due to divergence in political positioning between the countries.
- Need to meet carbon emission reduction commitments influenced China's decision to contract domestic coal production.
- Low global coal supply due to pandemic impact on production - nature of mining operations require considerable time to re-establish all logistics required to return to pre-pandemic production levels.

Regarding aluminum, the appreciation of its share price over 2021 (annual increase of 33.80%), is partly justified by the rise in coal prices that has raised fears about the potential increase in production costs and the observed shutdown of smelters.

After having reached in December 2020 the largest annual gain in 10 years (growth of about 25.64%), gold observed in 2021 a negative annual change of about 3.66%, reflecting its worst performance in the last six years. This evolution derives from the appreciation of the US dollar and the generalized economic recovery of the economies observed in 2021, thus reducing the demand for gold - a refuge asset of choice by international investors at times of greater global economic adversity.

The FAO Food and Agricultural Organization's Food Price Index (FFPI) tracks the monthly evolution in international food prices. In 2021, the index registered its highest score in the last 10 years, showing an annual increase of 28.1% when compared to 2020. This record was essentially supported by the increase in international prices of oils, sugar, and vegetables. The consistently high cost of production factors, increasingly volatile climate conditions and the still ongoing global pandemic, significantly influenced the behavior of food prices throughout 2021.

Evolution of Commodities prices (2015-2021)

Commodities	Real							Annual (%)	
	Dez-15	Dez-16	Dez-17	Dez-18	Dez-19	Dez-20	Dez-21	Dez-20	Dez-21
Brent crude Oil (USD/Barrel)	52,4	44,1	54,4	71,1	65,9	49,9	74,3	-24%	49%
WTI Crude Oil	48,7	43,2	50,9	64,8	59,8	47,1	71,5	-21%	52%
Aluminum (USD/MT)	1 664,7	1 604,2	1 967,7	2 108,0	1 771,4	2 014,7	2 695,5	14%	34%
Gold (USD/Ounce)	1 160,7	1 249,0	1 257,6	1 269,0	1 479,1	1 858,4	1 790,4	26%	-4%
Gas (USD/Millions of UTB)	2,6	2,5	3,0	3,2	2,2	2,5	3,7	13%	47%
Thermal Coal (USD/MT)	57,0	64,1	81,9	97,6	76,0	85,2	142,5	12%	67%
Maize (USD/MT)	169,8	159,2	154,5	164,4	167,0	198,8	264,5	19%	33%
Wheat (USD/MT)	206,4	176,3	178,2	203,9	237,7	251,2	327,8	6%	31%
Rice (USD/MT)	386,0	380,3	379,9	401,1	432,0	520,0	400,0	20%	-23%
Sugar (USD/MT)	0,6	0,6	0,6	0,6	0,6	0,6	0,8	9%	29%
Cotton (USD/MT)	1,6	1,6	1,8	2,0	1,7	1,8	2,6	7%	48%
Tobacco (USD/MT)	4 908,3	4 806,2	4 731,6	4 859,5	4 317,0	4 446,8	4 213,3	3%	-5%

Note: Prices based on annual averages
Source: World Bank - Commodity Price Data, January 2021

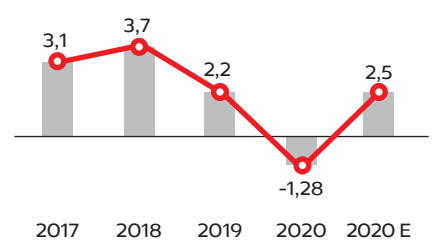
9.3 National Economy

Evolution of the GDP

In 2020, the Mozambican economy recorded negative real growth of 1.28%, its first recession since 1986 arising from the impacts of the Covid-19 pandemic on internal and external commercial activity. The worsening of the pandemic in early 2021 was matched by a substantial tightening of restrictive measures on the movement of people to prevent the spread of the Covid-19 virus through the population, which affected economic activity across the board, with the first quarter seeing real positive growth of only 0.12%.

However, the combined effect of the start of the vaccination campaign in the country in the first half of 2021, immunizing about 10% of the 17 million individuals foreseen in the National Vaccination Plan, a substantial reduction in the number of infections and deaths from Covid-19 as well as the high need to revive the economy, particularly the cyclical sectors (e.g. tourism, trade, industry), led the Government of Mozambique to decide to relax restrictions on the movement of people and goods from April 2021. This decision greatly influenced the performance of the economy in the second half of 2021, having enabled the recovery of all sectors of activity - including the cyclical sectors most affected by the pandemic (e.g. restaurants, hotels and similar) - and the improvement of external demand. Growth is projected at 2.50% in 2021 and 4.20% in 2022. The outlook for 2022 is based on increased coal production resulting from the impact of increased global demand and increased investment in ancillary sectors (including financial services and construction) for the gas industry.

Evolution of GDP- Mozambique (%)



Source: INE – Instituto Nacional de Estatística, Contas Nacionais de Moçambique (III Trimestre 2021)
FMI – World Economic Outlook Out. 2021
Note: E – Estimates

The positive performance of cyclical sectors justified the emergence of the economy from a recessionary state, with the Hotels & Restaurants activity showing the highest pattern of real growth of about 5.09% in the third quarter of 2021. However, the risks and uncertainties associated with the projections of the main economic indicators remain high. Domestically, military instability in Cabo Delgado remains a concern even in the context of a relative slowdown in insurgent attacks on a defense and security force reinforced by troops from Rwanda and the Southern African Development Community (SADC). Uncertainties prevail regarding the duration and magnitude of the impact of Covid-19, in a context of challenges in obtaining vaccines from the international community, compromising the swiftness of the ongoing vaccination campaign. Risks associated with adverse climate phenomena, namely rainfall, strong winds, urban flooding and drought prevail, and it is expected that around one million six hundred thousand people will be affected (Contingency Plan for Rainy Season 2021-2022).

Inflation

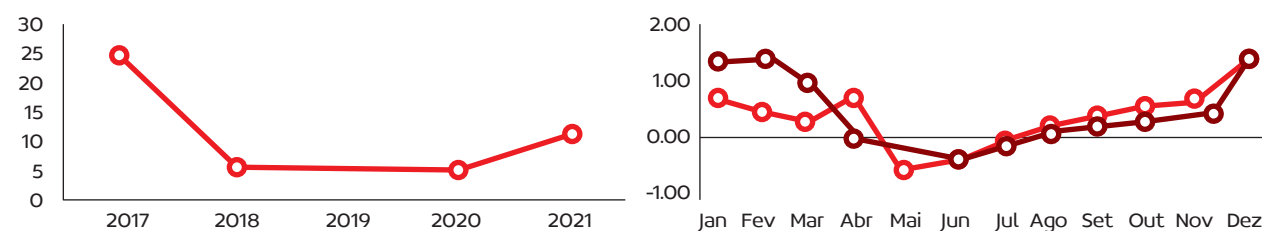
In December, the country recorded monthly inflation of around 1.49%, with the food and non-alcoholic beverages division contributing the most (+1.08 percentage points).

The country's annual inflation for 2021 stood at 6.74% (the highest observed since 2016), resulting mainly from the evolution of prices of food products (+3.24 percentage points), restaurants, hotels, cafés and similar (+0.93 percentage points) and transport (+0.90 percentage points). Annual inflation was above the projections advanced by economic agents responding to the Bank of Mozambique's monthly survey on macroeconomic expectations (6.58%).

Although annual inflation accelerated significantly from 3.52% in 2020 to 6.74% in 2021, it remains within the 10% target of the Bank of Mozambique. The combined effect of adopting a restrictive monetary stance - manifested by the increase in the monetary policy rate (MIMO Rate), in the order of 300 basis points, from 10.25% to 13.25% - and the maintenance of relative stability of exchange rates - particularly in the second half of the year - were crucial elements in containing inflationary pressures in 2021 - significant rise in commodity prices, worsening military conflicts in the north of the country, bottlenecks in the distribution value chain at the global level.

Monthly Inflation Evolution (%)

Annual Inflation Evolution (%)



Source: INE – Consumer Price Index, December 2021

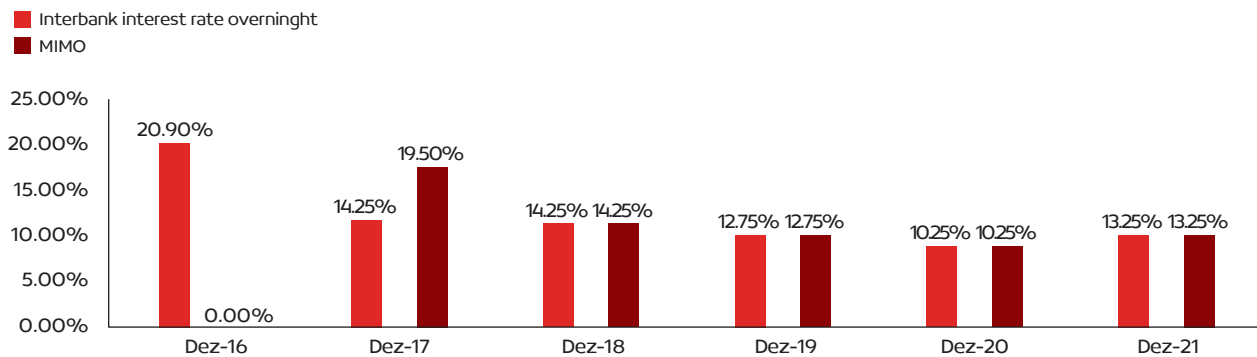
Currency Market

After the upward revision of monetary reference rates by 300 basis points in January 2021, the monetary authority made no further adjustments to it until the end of the year, although inflation expectations were revised upwards, but within the Bank of Mozambique's target of maintaining them at single digits.

However, in September, the Monetary Policy Committee (MPC) decided to reduce the reserve requirement coefficients for liabilities in domestic currency, from 11.50% to 10.50%, and in foreign currency, from 34.50% to 11.50%, reflecting a more accommodative monetary policy stance.

The downward adjustment of the coefficient of obligatory reserves in national currency led to a reduction of the cost premium - a determining indicator for the quarterly calculation of the Prime Rate of the Financial System (PRSF) - by 30 basis points, with the PRSF from October onwards being set at 18.60%.

Rates - Interbank Money Market Rate (MIMO) & Interbank Money Market

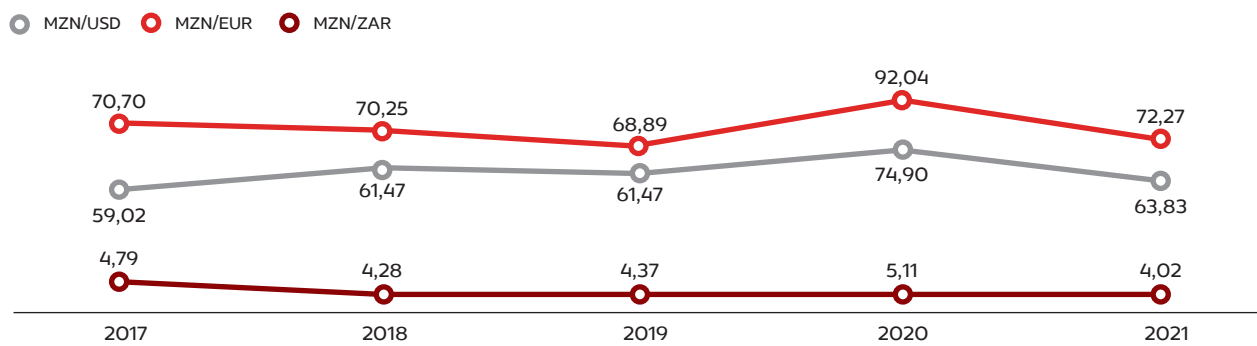


Source: Banco of Mozambique, December 2021

Foreign Exchange Market

The first two quarters of 2021 saw a vertiginous appreciation of the metical against the US dollar and South African rand - due to the combined effect of the adoption of a restrictive monetary policy and a more interventional foreign exchange policy (to promote greater availability of foreign currency in the interbank foreign exchange market to cover imports) by Bank of Mozambique. Over the following months, the foreign exchange market maintained a stance of growing stabilization in the exchange rate variation, in a scenario of faster recovery in exports to September (41.20%) compared to imports (22.56%) over the same period. The metical appreciated 14.78% against the dollar and 21.33% against the South African rand in 2021

Exchange Rate Metical



Financial Stability

The financial stability index is calculated by weighting macroeconomic risk, sovereign risk, profitability and solvency risk, funding and liquidity risk and market risk. According to the Bank of Mozambique, the financial stability index reduced from 39.58% in December 2020 to 39.24% in June 2021, however, remaining at the moderate level. The deterioration which occurred in the period in question was influenced by the increase in market risk - increase in exchange rate volatility (MZN/USD) which went from moderate risk in December 2020 to high risk in June 2021, given the vertiginous depreciation of the metical against the US dollar in that period. The deterioration of the market index exceeded the positive effect of the reduction of the profitability and solvency risk index - the result of the reduction of the risk levels of the cost to income banking indicators and coverage of NPL (non-performing loans) by provisions.

However, although the risk of the remaining categories has not changed, we highlight that the sovereign risk category remains severe due to the fact that the public debt ratio remains high (around 87.11% in June 2021) and the weight of credit to the state has also evolved, from 39.76% to 44.65%.

Tax Policy

According to the Budget Execution Report for January to June 2021, fiscal revenues (state revenues and capital gains) increased 15.64% year-on-year to MZN 127.4 billion. Meanwhile, in the same period, the budget deficit doubled to MZN 34.4 billion. Domestic credit also increased substantially, rising from MZN 15.2 billion to MZN 25.5 billion, representing an increase of 67.8%.

This increase in domestic credit is practically entirely financed by national credit institutions, mainly through investments in treasury bonds (treasury bills and bonds). On the other hand, external credit decreased by about 83.06%, falling from MZN 30.6 billion to MZN 5.2 billion, thus observing an exercise by the state to significantly reduce its exposure to external credit and improve the ratio of public debt to GDP.

However, for 2022, the state budget foresees an increase in the budget deficit by 50.91%, to MZN 151.7 billion, still pointing to high challenges for the state's orientation to deepen fiscal consolidation. About 35.00% of the budget deficit will be covered with recourse to domestic credit, also indicating the state's lower appetite for external borrowing, which is expected to reduce by 54.13%, to MZN 11.7 billion (equivalent to only 11.89% of the weight of external resources, with the remaining amount represented by grants).

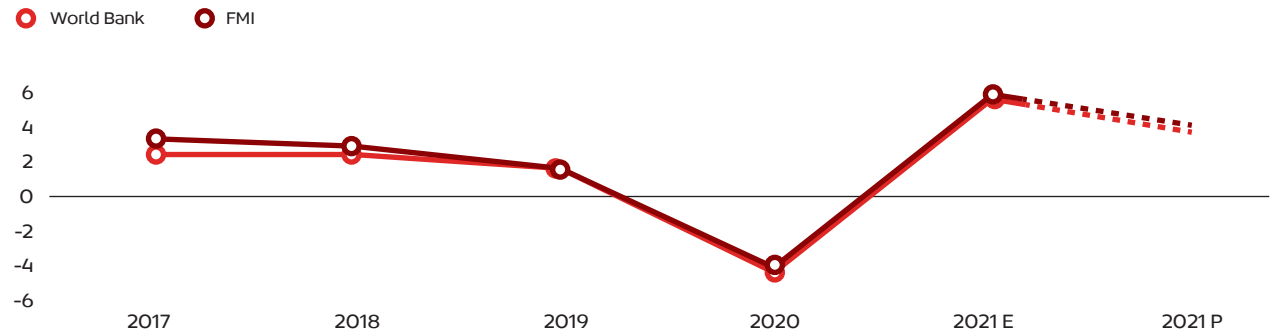
9.4 Economic Prospects for 2022

a) Global Economy

The global economy enters 2022 in a weaker position than previously expected, constrained by the spread of the new Covid-19 variant 'Omicron' that reintroduces blockages to the mobility of people and goods, rising energy commodity prices and disruptions in supply chains that have resulted in higher and wider-than-expected inflation, mainly in the United States and many emerging markets, as well as the ongoing downturn in China's real estate sector.

Global growth is expected to be 4.4% in 2022 (IMF - World Economic Outlook, January 2022) reflecting the expected reductions in the two largest economies.

Global Economy GDP (%)



Source: World Bank - Global Economic Prospects, January 2022 / FMI - World Economic Outlook, January

Note: E- Estimates, P - Projection

High inflation is expected to persist for longer influenced by ongoing supply chain disruptions and the continued outlook for high energy commodity prices in 2022. Assuming inflation expectations remain well anchored, inflation should gradually decline as supply-demand imbalances narrow in 2022 and monetary policy in major economies take effect.

Developed Economies

Robust growth in most advanced economies slowed unexpectedly in the second half of last year as a result of pandemic resurgence and disruptions in global supply chains - marked by insufficient shipping logistics, warehousing and labor, the latter particularly in major international ports. However, real growth in advanced economies in 2022 (3.9%) is anticipated to be marginally lower compared to 2021 (5.0%) but certainly higher than 2019 (-3.1%). Additionally, inflationary pressures have escalated in advanced economies due to the combined effect of bottlenecks in supply chains, rising energy prices, the release of forced savings during the pandemic and the implementation of strong fiscal stimuli - mainly in the United States of America (Senate approval of the USD 1.9 trillion financial stimulus package) and the Eurozone (Recovery Plan worth EUR 750 billion). In the United States, annual inflation for 2021 (7.0%) reflects a historical maximum since June 1982. In the Euro Zone, annual inflation accelerated from -0.3% in 2020 to 5.0% in 2021, substantially above the target defined by the European Central Bank. Thus, it is expected that the central banks of the main economies will opt to moderate fiscal and monetary stimuli in 2022 to contain inflation. In the United States and the United Kingdom, a contained rise in reference interest rates is already anticipated. In the Euro Zone, fiscal stimuli should continue, but the European Central Bank is expected to reduce its monthly purchases of assets to control liquidity and credit to the region's economies.

Emerging and Developing Economies

In China, the combined effect of the intensification of the commercial, technological, and political war with the United States, crises in the real estate and energy sectors, regulatory restrictions (restraint in steel production to minimize pollution) should contribute to a slowdown in economic growth, from about 8.1% in 2021 to 4.8% in 2022. The slowdown in the rate of economic growth in China - the world's second biggest importer - is likely to affect a large part of the emerging and developing economies. For example, China is the largest economic partner of the 10 members of the Association of Southeast Asian Nations (ASEAN) and the largest export destination of Brazil, a major emerging economy.

The real growth prospects of the emerging and developing economies will still be conditioned by the prevailing inflationary pressures. Therefore, a general trend towards a more restrictive monetary policy (e.g., Brazil) and a slowdown in fiscal support (e.g., Chile) is anticipated, with a potential impact on consumption reduction. Additionally, emerging economies are expected to face a less favorable external environment in 2022, in a context of decelerating external demand from advanced economies and a downward trend in the international prices of non-energy commodities. However, international commodity prices are expected to remain above the records observed in the pre-pandemic period.

GDP outlook / Global Economy (in %)	2017	2018	2019	2020	2021 E	2022 P
World	3,1	3,0	2,3	-3,1	5,9	4,4
Developed Economies	2,3	2,2	1,6	-4,5	5,0	3,9
USA	2,2	2,9	2,2	-3,4	5,6	4,0
Gold Area	2,4	1,9	1,3	-6,4	5,2	3,9
Japan	1,9	0,8	0,3	-4,5	1,6	3,3
Emerging and Developing Economies	4,3	4,3	3,6	-2,0	6,5	4,8
China	6,9	6,8	6,0	2,3	8,1	4,8
Russia	1,5	2,3	1,3	-2,7	4,5	2,8
Brazil	1,1	1,3	1,4	-3,9	4,7	0,3
Sub-Saharan Africa	2,6	2,6	2,4	-1,7	4,0	3,7

b) Regional Economy

Real economic growth in the sub-Saharan African region is projected at 3.7% in 2022 from 4.0% in 2021. The economic recovery of the economies is expected to remain ongoing, albeit at a marginally lower pace than that observed in 2021. The positive performance of the African economies should be supported by the maintenance of relatively high prices of their main export commodities (although lower compared to the prices recorded in 2021) and an increase in the quantities exported, in a context of gradually improving bottlenecks in global supply chains. The outlook is also based on a gradual recovery in tourism, in an environment of greater coverage of the immunized population in the face of also accelerating the pace of vaccination campaigns compared to that observed in 2021.

However, the prevalence of political-military tensions, delays in investments in various infrastructures, occurrence of adverse climatic events, as well as a slow implementation of structural reforms will continue to represent risk factors to the economic performance of the countries in the region.

c) National Economy

From a moderate perspective, the Moza Banco Economic Studies Office foresees an acceleration in national economic activity from approximately 2.50% in 2021 to 4.20% in 2022. This development should be supported mainly by the commissioning and entry into production of the Coral Sul natural gas exploration project in the Rovuma Basin, in Cabo Delgado province. The project - formed by a consortium of companies led by ENI (ENH, Kogas and Galp) - is made up of a floating natural gas liquefaction platform (FNLG), with capacity to produce 3.4 million tons per year, representing an overall investment of around US\$7 billion. Natural gas exports are expected to begin in mid-2022. Given its large size, the Coral Sul project is expected to have a structuring impact on the entire Mozambican economy, with multiplying effects on the generation of diversified supply chains, directly and indirectly associated with the energy sector.

In addition, the recent agreement for the acquisition of Vale Moçambique's assets by Jindal (through its subsidiary, Vulcan) also represents an opportunity to substantially increase coal mining activity in the country and the income generating capacity of companies providing goods and services and increase employment. The coal extraction industry should continue to generate high export revenues due to the combined effect of the maintenance of high international mineral coal prices (thermal and metallurgical) and the increase in the quantities sold in a context of an expected gradual improvement in the disturbances in the global supply chains. On the other hand, China maintains the restriction on the purchase of coal from Australia, a factor that conditions the international supply of the ore and has encouraged the maintenance of high prices.

Paradoxically, the movement seen worldwide in the implementation of policies that stimulate the transition to the use of renewable energy presents an opportunity for operators in the coal mining industry to maintain relatively high prices in the longer term. This is due to the potential limitation of coal supply in the markets as the major financiers of energy projects (e.g., World Bank) have less and less appetite for the development of coal projects. Additionally, even in a moderate scenario, the Covid-19 pandemic will be classified as endemic, and restrictions on people's mobility are expected to be eased to contain the virus. Thus, the greater freedom of movement of people and fewer restrictions on economic activity - in a context of greater coverage of the immunized population - should drive an acceleration in real economic growth in 2022.

However, the occurrence of adverse climate events, military conflicts in the north of the country and their extension to other provinces, and the appearance of new waves of Covid - precipitating the tightening of confinement measures, with impacts on the social, economic, and political fabric of the country - represent elements of risk to economic growth during 2022. Additionally, the high level of public debt (currently considered unsustainable) requires an increasingly conservative fiscal stance in the coming years, with the opposite representing a risk to the economy's performance. It is also important to highlight that the International Monetary Fund and the Government of Mozambique will begin discussions in the first quarter of 2022 on support for the Government's programme. According to the statement at the end of the International Monetary Fund's visit, issued on 21 December, the support in question is limited to opening a financing line (ECF - Extended Credit Facility) with the aim of relieving the country's financing pressures in a context of recovery and economic development.

Within the scope of Monetary Policy, Bank of Mozambique will continue to calibrate its monetary policy instruments, with emphasis on the monetary policy reference interest rate (MIMO rate) to contain inflation. The Economic Research Office projects a marginal deceleration of inflation in 2022 compared to 2021, essentially due to the generalized stabilization of international commodity prices (although they still remain high relative to 2020) and greater exchange rate stability between the metical and the US dollar - a more expressive increase in exports (e.g.: gas from the Coral Sul platform; increased coal production and sales at still high prices; increased export revenues from the extractive industry in general due to increased global demand); a conservative exchange rate stance is expected to be maintained by the financial system, new exchange rate policies will be introduced by the Bank of Mozambique, and it is expected that the Foreign Exchange Act will be revised.

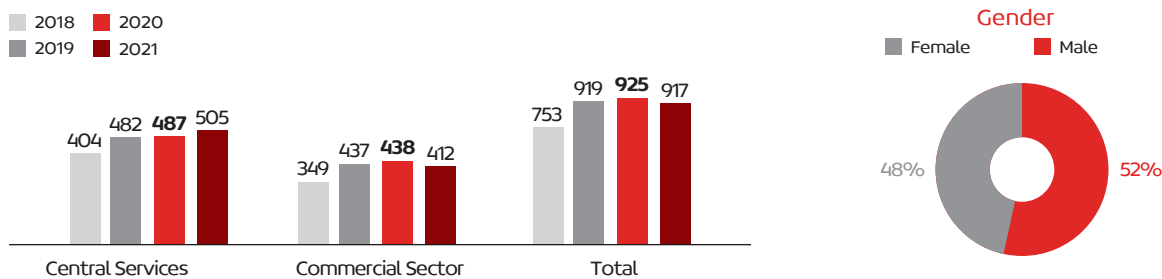
In view of the above, in 2022, monetary reference interest rates are expected to remain unchanged or be revised downwards to a maximum of 100 basis points. As for credit to the private sector, an increase is expected in 2022, in view of better operating conditions for the national economy compared to 2021, given the trend towards collective immunization at global and national level, and consequent reopening of economies, with progress in Covid-19 vaccination programmes.

Regarding the financial system, the Bank of Mozambique is expected to continue with its reforms, with emphasis on strengthening banking supervision and mechanisms for detecting money laundering (AML) operations. In addition, it is expected that the exchange rate policy will be revised during 2022 so that it provides an environment of greater transparency in exchange rate management and greater exchange rate stability.

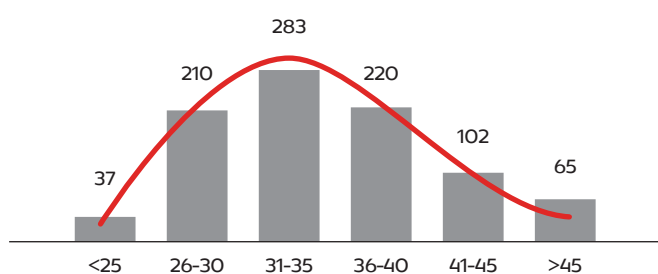
10. Business Support Activities

10.1 Human Resources Management

The Bank began the year 2021 with 925 employees, closing the calendar year with 917 employees, which meant a reduction of 8 employees when compared with the same period in 2020. Thus, the workforce is currently distributed between 412 employees in the commercial sector and 505 in central services.



Moza respects the principle of gender balance and equal opportunities in its policy of attracting and retaining Human Resources, a position that is in perfect harmony with its corporate values. It should be noted that 48% of its staff is female and 52% is male. It should be noted that 30% of female employees hold strategic and/or leadership positions, thus demonstrating the Bank's commitment to the empowerment of women.



On the other hand, the irreverence of its action in the market, which is combined with a strong predisposition to promote innovation, associated with new technologies, constitutes a differentiating trait of Moza Banco. The mostly young composition of its staff reflects this fact, as illustrated in the graph above. In fact, the largest concentration of its Employees (around 78%) is positioned in the 25 to 40 age range, the average age of Employees being 35 years old.

Professional Training

Moza Banco regards the professional training of its employees as an indispensable tool for raising motivation, professional growth and increasing productivity. In a particularly adverse macroeconomic context, with a strong appeal to rationalize investment and a greater focus on online training due to the barriers imposed by Covid-19, the training initiatives undertaken were primarily targeted, specific, unavoidable and focused on relevant themes of the Bank's activity.

In this way, and despite the Bank being in a stage of internal rationalization and economy, it ensured the capacity to carry out **115 training courses in about 11,815 hours**, preferably using Moza's internal Digital Platform. The courses were aimed at complying with the strategic guidelines of promoting the optimization and rationalization of costs, regulatory compliance, improving skills in the area of applications and processes.

Of note is the institution's continuous focus on training internal trainers, who have increasingly taken on a more prominent role in monitoring a significant part of these actions, combining their experience and in-depth knowledge of the Bank's needs with the desirable quality and applicability of the knowledge shared.

Social Measures

During the year various activities were carried out at the social level that aimed to ensure the well-being of employees, improve their quality of life, reduce the time of absences in the handling of documentation mitigating the exposure of employees to agglomerations, including the financial management itself in their daily lives, such as:

- ▶ Health and socio-educational lectures.
- ▶ Provision of Covid-19 vaccines to all employees and their dependents at no cost, as well as monitoring of the entire vaccination process.
- ▶ Personalized follow-up of cases of Covid-19 among employees and their dependents who have been infected.

Initiatives to be highlighted

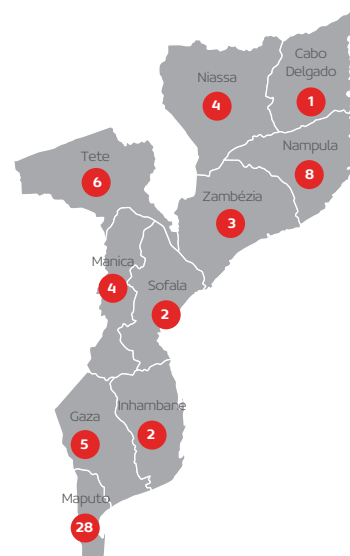
- ▶ Creation and implementation of the **Career Management Plan** criteria and start of the design and definition of the Bank's functional families.
- ▶ Conclusion and implementation of the **Moza Succession Plan**, starting the training of the employees identified.
- ▶ Implementation of the **Moza Mentoring Programme**, where Mentors were identified and trained within pre-defined profiles and criteria, with the aim of receiving, guiding, and monitoring Employees' careers.
- ▶ Training and development of **Business Partners** assigned to the Human Resources Department.

10.2 Distribution Network

At the end of 2021, Moza Banco had a commercial network comprising 63 bank branches, 61 of which were retail branches, 1 corporate Centre and 1 private Centre.

In 2021 Moza Banco opened two new branches: Zumbo (rural type, under the 'One District, One Bank' programme, in partnership with the Ministry of Agriculture and Rural Development (MADER, abbreviation in its original form) under the protocol signed with the FNDS) and Nacala Ontupaia (conventional type).

Thus, at the end of 2021, the geographic coverage, by Province, was as follows:



10.3 Business Activity

The Bank's commercial activity projections for 2021 were made based on the moderate scenario, in which the Covid-19 outbreak would be under control, and there would be no need for reinforcement of social distancing policies. However, as a result of the impacts of the second and third wave of the pandemic, the State maintained some restrictive measures throughout 2021 for the containment of the spread of the Covid-19 pandemic. In this context, Moza Banco's commercial activity continued to be carried out in a challenging and uncertain environment.

It is worth highlighting, in this period, the launch of the new WhatsApp Banking service, called 'AZAPP', showing the Bank's commitment to maintaining its digital transformation process, boosted by the pandemic context, with the main objective of ensuring greater proximity to customers and simplifying processes through digital solutions.

Thus, at the end of 2021, the Bank showed significant growth in most Digital Channels indicators when compared to the previous year.

The gradual reopening of commerce, restaurants, hotels and tourism and other economic activities, which occurred throughout 2021, supported the growth in the number of users and volume of transactions in ATMs, POS, and bank cards.

With regard to business volume, the Bank registered a contraction of its commercial balance sheet in comparison with the same period of the previous year, in line with the strategy focused on optimizing the balance sheet and sustainability of its business model. Despite the contraction registered in the commercial balance sheet, Moza Banco maintains a solid market share, remaining in the ranking of the 5 largest banks operating in the country, with a share of loans and Customer funds of 8.49% and 5.67%, respectively.

10.3.1 Business Lines

Moza Banco develops its commercial strategy in the business areas of Retail Banking (including private and corporate customers), Private Banking, Institutional Banking, Corporate Banking, and Investment Banking. The year 2021 continued to be challenging for the commercial areas, because of the continued pandemic situation, with the teams working in a rotation model for a large part of the year. Thus, the focus of the Bank's commercial activity in 2021 was based on a greater commitment to remote banking, through the development of a digital and remote relationship with customers, ensuring the improvement of the customer experience in the use of the digital and remote solutions offered by the Bank. In this context, there was a reduction in the number of branches, mainly those located in informal markets, ensuring that the Bank provides an adequate response to Customers' needs.

In terms of business support, with the aim of providing the commercial area with tools to reach commercial objectives, a series of initiatives were developed, of which the following are highlighted:

- ▶ Launch of new digital products, in particular WhatsApp Banking, improvements to some functionalities in the Digital Channels. These initiatives aim to contribute to increasing Customer experience and satisfaction in the use of the Channels.
- ▶ Internal programme to motivate and energize the sales teams, called 'Moza Txampions', which consisted of creating competitions or leagues in which the teams compete against each other.
- ▶ Involvement of the Moza Call Centre as a creator of business opportunities and dynamization in the placement and use of equipment.
- ▶ External campaigns for membership and use of the Digital Channels and cards.
- ▶ Maintenance of the Customer database reliability programme, aimed at strengthening the commercial and cross-selling involvement of Customers. This action resulted in the closure of several accounts that had been inactive for more than a year, contributing to the annual reduction in the number of customers compared to the same period in 2020.

10.3.2 Offer initiatives

The efforts to continue simplifying and optimizing the offer were maintained throughout 2021. Of the actions carried out to better serve Customers, the following are highlighted:

Moza Salary Account

Launched the new Salary Account that grants a set of advantages to Customers who domicile their salary at Moza, highlighting the possibility of an authorized overdraft of up to 60% of Customers' net salary, discounts on commissions charged on intra-bank transfers made through internet banking.

New businesses bonds

Moza issued USD 7.5 million in bonds to support new business, with a particular focus on trade finance.

Trade Finance

In order to reinforce the companies' capacity to position themselves in the international markets, Moza created a special offer directed to Exporting and Importing Clients. This offer provides the Clients with essential Trade Finance products, with distinct prices and service levels compared to the market, as well as a consultancy service and individual support.

Credit + Employee

Credit intended for Public Employees that offers Customers up to 1.5 million Meticaís to be repaid within 72 months, at a fixed interest rate. In 2021, in order to meet the needs of its Public Employee Customers, the Bank reviewed the interest rate downwards, and it is currently competitive with the rates practiced in the market.

10.3.3 Results obtained by the business areas

In 2021, and despite the adverse socioeconomic context, there was a positive evolution of the main business indicators, in a context in which the Bank adopted the strategy of optimizing the commercial balance sheet.

Customer Credit

In the context of macroeconomic uncertainty and unpredictability surrounding the impacts of Covid-19, with new waves affecting most economies, conflicts in the northern region of the country and natural disasters, with an impact on the national business fabric, there was a greater need for credit risk coverage. In this context, the Bank reinforced impairment and proceeded to write-off some overdue loans that were fully covered, in order to reduce exposure to non-performing loans. This measure resulted in a 10% reduction in the loan portfolio compared to the same period in 2020. Excluding these operations, the loan portfolio would have presented a year-on-year growth of 2%.

Customer Resources

Customer resources totaled MZN 32.753 million Meticaís at the end of 2021, compared to 35.150 million Meticaís at the end of 2020. Part of this decrease results from the Bank's strategy to reduce the cost of funding, through an appropriate policy of remuneration of resources, in a context of increased competitiveness in attracting resources of significant amounts in the market by price.

Digital Channels

As a complement to the service provided by the traditional distribution network, Moza Banco has invested in digital channels, proving to be essential in Customer access to the Bank, in a pandemic scenario. In 2021, in addition to the launch of a new digital channel, AZAPP, the Bank created a new interoperability partnership with E-mola. Thus, as a way of ensuring greater proximity with private and business Customers, the Bank launched a campaign to encourage the use of the Channels:

Campaign for "Using Moza's Digital Channels"

Moza provides its Customers with 4 Digital Channels to enable them to access their accounts and make their movements, namely, Moza Já (USSD), Moza Net (Internet Banking), Moza Mobile (Mobile Banking) and AZAPP (WhatsApp Banking). Thus, with the objective of encouraging the use of all Digital Channels, the Bank launched in the last quarter of 2021 a prize draw campaign where 9 Customers were drawn, with the draws being held fortnightly.

It should be noted that this type of campaign is recurrent and demonstrates the Bank's commitment to increasing its digital offer to Customers.

Interoperability with Mobile Wallets

Since 2020, Moza has been working hard to create partnerships and integrations with the main mobile wallets, contributing to the financial inclusion of the most disadvantaged classes. In 2021 the partnership with E-Mola was created, thus increasing the range of services from the Moza Channels, thus offering more alternatives for the Customer. This year was also marked by the strong affirmation of the interoperability service, becoming, within one year, the most used service at Moza Já and the second most used at Moza Net.

Launch of AZAPP

In order to offer services adjusted to Customers' needs, the WhatsApp Banking service, called AZAPP, was launched. This service is like the USSD service, but exploits some of the functionalities of WhatsApp, thus increasing the Customer's possibilities to interact with the Bank. In addition to the consultation and transactional functionalities, AZAPP presents a revolutionary functionality in the market **that allows the Customer to consult the status of his documents and send images or files via WhatsApp to update his data.**

Thus, at the end of 2021, the Bank presented robust growth for the generality of the Digital Channels indicators. For Moza Net and Moza Já, at the end of 2021 the Bank registered an increase of 64% and 30% in the number of users compared to 2020, respectively.

In terms of transactions, there was also notable growth, with Moza Net and Moza Já having registered year-on-year growth of 30% and 171%, respectively, with interoperability with digital wallets also contributing to this increase.

Means and Electronic Channels

The year 2021 was characterized by the recovery of the business of means and electronic channel products, namely POS, ATM, Kiosks and Cards, mainly as a result of the relief of the restrictive measures against Covid-19 and the strategy adopted by the Bank for the recovery and profitability of the business, reflected in the positive evolution of the number and volume of transactions:

POS

The Bank recorded growth at all levels, compared to 2020, from the installed park to the number and volume of transactions, with growth of 25%, 15% and 20%, respectively. This result was achieved through various internal initiatives, with emphasis on placement and transactional objectives, outbound calls by the Call Centre to traders with POS with no movement, and removal of POS with low volume of transactions and reallocation to other customers.

ATM

At the end of 2021, the Bank had an active park of 108 ATMs, representing a reduction of 10 units compared to the same period in 2020. The reduction in the park derives essentially from the closure of the branches of informal markets and the strategy of making this service profitable, which involves the removal of unprofitable remote ATMs.

Notwithstanding the reduction in the park, the number and volume of transactions in the Moza ATMs grew in relation to 2020 by 19% and 32%, respectively.

Kiosks

At the end of 2021, the Bank had a fleet of 21 kiosk units. As a result of the gradual lifting of preventive measures against Covid-19, there was an annual growth in the volume of transactions of 4%.

Cards

In 2021, the Bank maintained the initiatives it has carried out every year, with the objective of ensuring the continued evolution of its number of cards, as well as the growth in their volume of transactions, despite the current situation favoring the use of Digital Channels. The following initiatives were of particular importance:

Campaign to encourage the use of Cards

The campaign was held between the months of June and August (3 months' duration) and resulted in 27 Customers being rewarded with monetary values made available in pre-paid cards, also offered to Customers.

This campaign contributed to annual growth in the total number of cards (Debit, Credit and Prepaid) of 24%, with the number of transactions also growing by 14%.

Another factor that contributed to the increase in the total number of cards was the continuity of the measures aimed at optimizing the number of active cards by making Customers aware of the need to collect cards at the Business Units by sending text messages, contacts and commercial leads.

10.4 Innovation and Transformation

Recent events, linked to the Covid pandemic, have positioned digital transformation at a differentiating level. At a global level, digital transformation is now unavoidable and Moza continues to position Innovation as one of its main pillars of growth and development. Moza understands that Innovation is centered on people and local reality, above all guaranteeing effective added value and sustainability.

It is necessary to ensure that the gains brought by this transformation are translated into effective added value in the daily lives of Customers, Employees, and all other Stakeholders.

Main achievements in 2021 and their impact on MOZA's activity

INTEROPERABILITY

After the introduction of the Interoperability service in 2020, in 2021 Moza ensured the continuity of the expansion and improvement of these services.

In 2021 we expanded the interoperability service to the Corporate and SME segment, ensuring greater convenience and simplicity in our Customers' operations.

SUSTENTA

Moza signed an agreement with the National Fund for Sustainable Development (FNDS, abbreviation in its original form) to manage the SUSTENTA line, which is a (the largest) national programme for the integration of family farming in productive value chains, which aims to improve the quality of life of rural households by promoting sustainable agriculture (socially, economically, and environmentally).

In 2021, Moza started the operation that allowed the credit and Grant management process to be carried out for the contemplated Customers.

This agreement represents Moza's commitment to support the primary sector of the economy, taking advantage of the benefits obtained from the merger with Banco Terra. Moza will continue to support the Agribusiness segment in a structured way, ensuring sustainability in its involvement.

Implementation strategy for the "One district One bank" Project (MADER - FNDS);

Within the scope of the agreement signed between Moza and the National Fund for Sustainable Development (FNDS), for the rural banking project - 'One district, One bank', in 2021 Moza proceeded with the inauguration of the Zumbo branch, a branch with a special symbolism - because with its opening, Moza extended its presence from Zumbo to the Indian Ocean.

10.5 Systems, Information Technology and Business Continuity

With regard to the management of information systems and technologies, the Bank continued its actions to ensure the strengthening of the technological infrastructure that supports all the Bank's operations.

With the aim of continuing the process of improving its information systems, the Bank developed a series of structuring initiatives during this period, of which the following are highlighted among others:

Infrastructure Renewal

In order to improve the quality of infrastructure services, the Bank has been renewing its communication equipment and systems. Following this process, in 2021, the renewal of the infrastructure of the Main Data Centre was implemented. It should be noted that the implementation of this renewal contributed to improve the response capacity in case of activation of the continuity plan. In this way, the renovation allowed the Bank to implement new products and services that, by their nature, required specific technological resources.

Adoption of SD-WAN technology

Software Defined Wide Area Network (SD-WAN) is an approach where traffic definitions are controlled by software in order to create a virtual overlay to enable connectivity within WAN networks.

In 2021, this technology was implemented in the Bank's branches, highlighting the following improvements:

- ▶ Increasing the data transmission capacity of the business units, thus enabling the quality and performance of the systems to be improved.
- ▶ Effective integration of multiple providers in order to optimize the stability of the communications network.
- ▶ Significant reduction of circuit maintenance costs; and
- ▶ Security - SD-WAN technology is a model with a high level of data encryption, thus enabling greater information security.

Business continuity test and assessment of Disaster Recovery Site

Business Continuity Test - This activity aims to gauge the real capacity of the Bank to respond to disaster events that make it impossible to use the main data processing center and, based on the results, to establish subsequent steps for continuous improvement of the DRS (Disaster Recovery Site) response capacity to disaster events.

10.6 Image and Communication Management

In 2021, the Customer continued to be the focus in the communication strategy, so a large part of the investments and actions were designed and implemented inspired by him. As a Relational Bank, we seek to establish a progressive connection with our partners, winning and returning their trust and preference.

In line with this vision, we sought to ensure consistency and strengthen brand awareness by carrying out a series of actions, namely:

- ▶ Establishing bonds of relationship with customers through targeted communication actions.
- ▶ Transversal communication of products and services;
- ▶ Promotion and support of social responsibility programmes for the internal and external public

Brand Notoriety

The awareness of the Moza Banco brand has evolved continuously and consistently over the years, which presupposes a link with our Customers and the market, revealing recognition and trust.

As a result of this trust, supported by a quality service, Moza was in 2021, and for the second consecutive year, elected the best regional Bank in Southern Africa in an event that rewards the best players in the Banking and Finance sector in the continent, each year.

The awards are promoted by African Banker Magazine with the high patronage of the African Development Bank (ADB) and are essentially aimed at praising the achievements of companies and individuals who contribute to the transformation and development of the financial sector on the African continent. It was in this context that Moza Banco was distinguished as the best in the Southern African region. The evolution of the commercial activity indicators that the Bank has been registering, the expansion of the branch network, the quality of the service provided, embodied by the availability of value-added products and services for Customers and the enlarged market all played a part in this distinction.

The expansion of our services to more parts of the country, through the opening of new branches in places that previously had no banking coverage, also contributed to strengthening the Moza Brand.

Another important aspect is the process that began in the middle of the year of renewing the external image of our branches throughout the country, adjusting them to the new elements of the Moza Brand. With this initiative we seek to transmit more effectively the liveliness and dynamism intrinsic to the brand, increasing notoriety and facilitating identification.

Main Campaigns in 2021

In order to promote our values, products and services, we used the Bank's communication media (corporate website, ATMs, TV's and digital panels inside the Branches), social networks (Facebook, Instagram, Youtube and Twitter) and external media, to reach our public. Throughout 2021, the following campaigns stand out:

▶ Institutional Campaigns

Moza Figures

In order to offer the best financial values, it is essential to project good human values to Customers and to society in general. Following this principle, throughout the year we seek to share the values that inspire and drive us: **Relationship; Innovation; Integrity; Rigour; Proximity.**

#Dissemination of preventive measures to Covid-19

Throughout the year a range of useful information was shared through the Bank's communication platforms so that our stakeholders are better protected and prepared to deal with the pandemic.

#Christmas Solidarity

As part of the festive season, and to mark the end of another year, spreading positive energy, hope and optimism for the year ahead, an institutional campaign of solidarity was developed during this period, taking advantage of the festive spirit to bring the Bank closer to Mozambican families, Customers and other stakeholders in an emotional and engaging way. The campaign included a Social Responsibility component, thus enabling it to benefit people in need and in vulnerable situations.

▶ Product and Service Communication Campaigns

In the area of communication of products and services, the following campaigns stand out:

- Interoperability with M-Pesa;
- WhatsApp Banking - AZAPP;
- Moza Cards;
- Super Moza Credit;
- Moza Salary Account;
- Offer Civil Servant;
- Personal Accident Insurance;
- Digital Channels (with prizes);
- Seasons's Greetings Credit;
- Interoperability with E-Mola;
- Term Deposit Campaigns.

The aforementioned campaigns were present in various media, from traditional to digital, and their aim was to announce to Customers and the market the availability of these products and services, some of which are exclusive to Moza, such as **interoperability with the E-Mola**, highlighting their main advantages.

They are based on a more humanized visual line and integrate different means of dissemination, both internal and external, adjusted to the specific targets of each product/service and to the defined objectives.

We believe that the public is driven by identification and trust, seeking out those who understand and inspire them, who drive their dreams and ambitions. That is what we seek to offer.

With this approach we seek a distinct positioning in the market, which requires that our 'Customers' and the public in general understand in a simple, captivating and emotional way what Moza offers and what makes it the reason for their choice.

▶ Internal and external communication

Moza's relevance in the year 2021 can be evidenced through a set of communication contents that had a great impact on the public, making them more involved and, consequently, more loyal to the brand. This fact is evident in the Bank's remarkable performance in traditional media and social networks.

In the **traditional media**, numerous positive themes were reflected over the year, from the inaugurations of new branches to the signing of memoranda of understanding and agreements between Moza and other institutions, and including Social Responsibility initiatives, which shows the Bank's concern with actively participating in the transformation and development of the country.

With regard to **Social Networks**, we continued to implement the **Digital Strategy** defined for **2021**, which aims to solidify and expand our presence, increase the visibility and reach of the Bank's brand and content, build Customer loyalty, as well as promote distance banking and ensure innovation. We also continued to focus on the regular publication of institutional content and the promotion of our offer, in line with the Campaign Plan defined for the period. Moza continues to perform remarkably well on the social networks, particularly on Facebook, where the official page continues to be the **leader in the banking sector in terms of reactions (likes, comments, and shares).**

Also in the context of interaction with our public, we highlight the regular publication and sharing of **Moza News** - the Bank's newsletter, whose main objective is to keep Employees and Customers abreast of the institution's most relevant events and events, as well as to divulge the Offer, financial education, among other information; and the **Economic Bulletin**, both of which are monthly publications that allow us to maintain a bond with our public by sharing very useful and up-to-date content.

In terms of internal communication, we continue to invest in permanent and regular communication with all the Bank's employees, giving them first-hand knowledge of the main objectives, achievements, and milestones of the Bank.

10.7 Quality of Service and proximity to its Customers

Strategy for the adequacy of a service of excellence based on the Customer

Moza Banco's strategy is aligned with Quality Management, as one of the pillars of growth, development, and sustainability of the Bank, which guarantees a competitive advantage in the market, on the one hand in attracting and retaining customers, which is why the 2021 financial year was based on the following assumptions:

- ▶ Adequacy of the Complaints Management processes within the scope of the entry into force of Notice no. 9/GBM/2020 - Regulation for handling complaints.
- ▶ Maintenance of the Service Level Agreement (SLA) performance monitoring of critical processes with direct impact on customer service and customer loyalty.
- ▶ Carrying out satisfaction surveys to gauge Customer satisfaction regarding its services and products to improve the Quality of the service provided.
- ▶ Empowerment of the area that manages quality with the creation of the Customer Service Monitoring Department and with adequate human and technical resources.

10.7.1. Customer Proximity

Moza increased activities to improve the quality of Digital Channels services, specifically in self-service, given the pandemic situation of Covid-19, having also adopted a strategy for greater proximity and hearing of Customers' preferences and concerns, where the pillars were increasingly capitalized on:

- ▶ Permanent monitoring of Customer Service Levels;
- ▶ Implementation of Corrective Actions, in the scope of the **PDCA cycle** (Continuous Improvement Cycle);
- ▶ Carrying out strategic Customer Surveys, allowing:
 - Ascertain the satisfaction rate in relation to the different variables in the Bank's operations.
 - Obtain information that enables the different technical areas to take direct or indirect action to improve services and better adjust them to Customers' preferences and concerns.

10.7.2. Capacity building of "Human Resources"

On the other hand, with the objective of capitalizing on its branch network and its internal 'Human Resources', in the supply of products/services with added value for the Customer, taking into account the challenges established in the Customer service standards, Moza developed training/capacity building initiatives for employees in the commercial areas and those responsible for the Business Units:

- ▶ In general matters; and
- ▶ Individually, on specific issues in response to the thematic needs of each team, focusing on improving Customer Service, Complaints Management under the terms of Notice no. 9/GBM/2020 - Regulations for handling complaints from Bank of Mozambique and the internal norm that regulates the standards of Service Levels.

10.7.3. Interim Monitoring "of results"

At Moza, the planning of the actions aimed at improving Customer service was always the result of analyzing the performance of the KPIs (Key Performance Indicators) previously defined, namely:

- ▶ Service Levels (SLAs) in the handling of sales processes and complaints handling.
- ▶ Number of complaints per process; and
- ▶ The respective Customer satisfaction rates in the processes.

The results obtained throughout 2021 have been useful for the implementation of Corrective Measures/Actions for continuous improvement. Observing the evolution of Customer satisfaction levels, they place Moza Banco as one of the preferred Banks by Mozambicans, doing justice to the Excellence of the Bank in their choices.

10.8 Compliance and Money Laundering

Compliance is a permanent and effective function at Moza Banco. Compliance continued to fulfil its main mission of promoting and ensuring that Moza complies with the applicable legal, regulatory, statutory, regulatory, ethical and good conduct requirements and good national and international banking practices, as well as ensuring the Prevention and Combating of Money Laundering and Terrorist Financing, which are applicable to the governing bodies, directors and all employees, within the framework of the institutional control and supervision environment defined by the competent regulatory authorities and the legal regulations to which they are subject.

The year 2021 was a year characterized by many challenges, with regard to professional productivity issues due to the Covid-19 pandemic, Moza Banco maintained remote work, as a way of containing the spread of the disease within the Institution, but also conferring business continuity.

On the Compliance side, technological means were ensured, in order to adapt to remote work without affecting the objectives of ensuring that the Bank remained in compliance with the entire legal framework and, on the other hand, that the Bank was not being used as a means for Money Laundering and Terrorist Financing.

We would highlight as some of the positive aspects the training given to the Bank's employees as part of the alignment programme, the participation of Compliance in the process of creating and reviewing products and with a view to ensuring that they comply with current legislation and good practices, the introduction of declarations of conflicts of interest under the Conflict-of-Interest Policy.

Equally noteworthy is the active participation in the National Risk Assessment (NRA) and Mutual Evaluation Processes, by completing the Questionnaire on the Prevention and Combating of Money Laundering and Financing of Terrorism, requested by the Central Bank.

Monitoring of Accounts and Transactions

During the year, several alerts were analyzed, and monitoring sheets and reports were prepared. In addition to the usual recommendations (updating physical files, opening accounts corresponding to the activity carried out, specific continuous monitoring, etc.), the analyses also culminated in the closure of some accounts.

Despite the difficulties regarding the working method, in 2021 there was a significant increase in the analyses carried out and consequently in the documents prepared (monitoring sheets and reports) compared to 2020, a fact related to the automatic systems for detecting atypical behavior or movements. The findings of the constraints encountered and the respective recommendations for improvement were raised.

Communications and Reports to GIFiM

In 2021, Moza liaised with GIFiM (Mozambique Financial Intelligence Office) on the following aspects:

- **Response to GIFiM requests:** Compliance received and responded to all requests sent by GIFiM entities (individuals and companies), referring to identification elements of entities, accounts, information on bank accounts (transactions, checks, transfers, etc.), among other issues.
- **Reporting of Suspicious Entities/Operations:** in 2021, we continued to report clients to GIFiM, for presenting suspicious/typical transactional behaviors, being mostly situations of movement of amounts from commercial activity in private accounts, besides being in an advanced stage the issue of threshold reporting.

Supplier Filtering (Companies and their respective representatives)

This activity was carried out on an ad hoc basis, whenever requested by a department, with Compliance filtering Companies and Individuals (company representatives) in order to assess whether they might have any relevant information regarding Hit's on Worldcheck, which could help in the decision on the start or continuity of these relations with the Bank. It should be noted that the Compliance Department gave a favorable opinion on all the analyses carried out.

SWIFT Operations - Filtering Sanctions Screening

In 2021, operations with foreign countries (OPE's and OPR's, abbreviations in original form) were analyzed and approved. This process was carried out by assessing automatic filtering against international lists (with a record of incidents of financial crime and/or sanctioned countries, in the context of operations with foreign countries (via SWIFT)).

Analysis of Entities in the Account Opening Process

During 2021, and with the objective of safeguarding that the Bank does not initiate relations with Customers who are blacklisted or on observation lists, as well as to ensure the correct identification and registration of risk entities such as PEPs (Politically Exposed Persons), several hits from the filtering applications were analyzed.

Also, as part of the analyses carried out, some accounts were closed on the recommendation of Compliance, as they were not in compliance with the policies and outside the transactional profile.

Politically Exposed Persons (PEP's) accounts

In relation to the PEPs, in order to comply with the obligations in accordance with AML/CFT laws and regulations in an efficient and economic manner, the Bank began to more carefully screen and assess the risks that the PEPs present to the Bank, through a stricter KYC (Know Your Customer) and KYT (Know Your Transaction) process, allowing for monthly registrations and updates of these entities, and the mandatory monthly reporting.

Relationships with Correspondent Banks and other Financial Entities

Compliance has responded to requests from various Financial Institutions that maintain Correspondent Banking relations with Moza, the 'bilateral relationship management' service provided by SWIFT's Relationship Management Application (RMA), key exchanges, etc., as well as for others that have shown an interest in initiating relations, upon prior submission of certain information and/or documentation from the Bank, and vice versa.

Compliance Testing and Reporting

In 2021, compliance tests were carried out and respective reports were drawn up, with the aim of gauging the degree of compliance with the legislation in force by the different areas of the Bank, and to provide internal alignment by sending recommendations and verifying compliance, in order to initiate efforts to correct the anomalies detected, so that the Bank is in compliance, avoiding sanctions, which may lead to resulting reputational and financial risks.

Regulatory Compliance

With regard to **Regulatory Compliance**, existing policies were reviewed and new ones drafted in accordance with legal and regulatory requirements, with a focus on the annual review of the Code of Ethics and Conduct, and the review of various regulations in force to bring them into line with the new legislation, the creation of new forms in accordance with the dictates of the law and regulations, and the issue of warnings/communications/explanatory notes to the network and the Bank in general on the Prevention and Combating of Money Laundering and Terrorist Financing.

Training on Compliance Issues

The legislation on Prevention and Combating Money Laundering and the Financing of Terrorism states that training must be given about Prevention and Combating Money Laundering and the Financing of Terrorism, and it also states that it must be held annually and cover all Bank employees, so there was continuity in the training process.

It should be noted that the training was given by Compliance Department employees, providing the employees covered with the necessary knowledge on preventing, detecting, and combating these crimes, reinforcing the need to comply with the law and also ensuring compliance with the legal obligation to train all Bank employees.

10.9 Control and Rationalization

The prevalence of the Covid-19 pandemic situation in 2021, provided an opportunity for the Bank to consolidate and monitor the initiatives implemented for the mitigation of its impact. Through the Cost Control and Rationalization Department and with a view to ensuring the achievement of one of its strategic objectives, namely cost rationalization, the Bank ensured the monitoring of the measures already identified and necessary for greater control of its costs.

With this in mind, greater interaction was promoted between the cost control area and the Bank's Organic Units in order to ensure better perception and identification of alternatives from the perspective of each person in charge, which made the process of searching for cost saving alternatives more participative at the Bank's level and contributed to greater prioritization of local suppliers, at District level, for consumables such as: piped water, cafeteria items, among others.

A more proactive approach to analyzing cost and investment proposals was also adopted, incorporating within the process, phases of analysis and prior opinion of all procurement processes, which contributed to the strengthening of control and management of operational and investment costs. This initiative allowed:

- Critical evaluation of proposals before their approval by the cost control area.
- Identify and correct deviations and faults identified in the procurement process so as to allow for their timely correction.
- To generate synergies with a view to searching for the most efficient cost options.
- To provide the (Executive Committee) with subsidies to support decision making.

11. Risk Management

11.1 Introduction

Risk management is seen at Moza Banco as a fundamental process to respond to dangers and uncertainties in the most varied domains, which comprise the activities that affect its risk profile. Closely associated with risk, Moza Banco is permanently aware of the vulnerabilities that characterize the potential losses that can occur in its business, resulting from the impact of unexpected events on its assets. In this perspective Risk Management assumes an increased importance, where the principle of Corporate Governance is privileged. The definition, monitoring and application of the Bank's risk management policy involves all the areas in the management of materially relevant risks, with a view to supporting the Governing Bodies.

Aiming at a better combination of risk and results, Moza Banco acts prudently in the management of financial and non-financial risks, in line with the regulations imposed by the Regulator and in harmony with the best international practices, from which results the design of policies, principles, procedures, methodologies and definition of limits, which conduct the Bank's activity for its sphere of activity in the various business segments: Retail, Private, Corporate and Institutional to the activities conducted by the Market Room, namely, in the Foreign Exchange, Monetary and Capital Markets, and by Investment Banking through a specialized offer of financial services transversal to the commercial areas (Companies, Top Corporate, Institutional Customers and Private Banking) and of Market products (National and International), providing our Customers with a global and integrated offer of financial services of increasing demand and sophistication, and supporting them in the development of their businesses, inside and outside Mozambique.

With a view to meeting strategic objectives and given the risk profile to which Moza Banco is exposed, its management is conducted in accordance with the Risk Management model implemented in the institution, from which existing and potential risks are identified. This process includes analysis, monitoring, measurement, and control, as well as determining the positive or negative impact of these risks on results and/or capital.

The conceptual risk management framework of Moza Banco comprises nine types of risk, namely: Credit Risk; Liquidity Risk; Interest Rate Risk; Exchange Rate Risk; Operational Risk; Strategic Risk; Reputational Risk; Compliance Risk; and Information Technology Risk, including the processes, systems, and procedures for their management, as well as the attributions and responsibilities of the bodies involved. Also included in this framework is Concentration Risk, regulated by Bank of Mozambique, through Circular number 3/SCO/2013 of 31 December.

Within the conceptual framework, Moza Banco has started the process of drafting and implementing policies on Social Risk and Environmental Risk, which henceforth involves analyzing the social and environmental risks of its financing operations, thus extending management to twelve risk typologies.

In general, risk management is carried out on an ongoing basis through:

- Monitoring of the Administrative Bodies and Top Management and at the level of the Risk Committee.
- Definition and disclosure of policies, procedures and limits.
- Measurement, follow-up and management information systems.
- Internal Control System.

The Risk Management Department (RMD) is responsible for coordinating the execution of all risk identification, measurement, control, and monitoring processes and for implementing risk controls in all business areas or functional areas that support the business. In terms of reporting and communication lines, the RMD supports the Risk Committee and the Executive Committee, in line with the strategic guidelines defined by the Board of Directors

The Risk Committee, which emanates from the Board of Directors, is chaired by a non-executive director, who devotes special attention to the Bank's risk management, with a focus on monitoring the evolution of the different risks and compliance with the policies, regulations and risk appetite limits approved by the Board of Directors.

11.2 Bank's Risk Profile

In monitoring the various risks, Moza Banco keeps in mind the risks considered materially relevant that constitute its risk profile, whose management is considered essential to ensure the development, profitability and sustainability of the Bank's business and activity and simultaneously ensure compliance with regulatory and legal requirements.

Moza Banco continuously and prudently monitors its risk profile and compliance with the limits defined in relation to the activity risks.

The evolution of the financial system and constant technological changes require the adoption of more sophisticated risk mitigation techniques, based on good international practices and compliance with the principles issued by the Banking System Regulator. To this end, Moza Banco constantly seeks to equip itself with tools and procedures adjusted to the risks to which the Bank's activity is exposed.

To respond to the increasingly demanding regulations and with a view to being in line with best practices, in 2021 the Bank developed a series of relevant actions in risk management sector, of which we highlight the following:

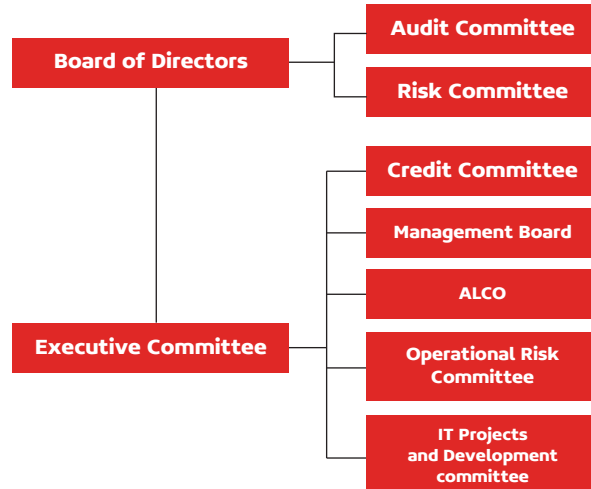
- Review of the Bank's Risk Management Governance Model in line with best practices, observing the principle of segregation of functions between origination and management/control of the risks assumed, which will be implemented in 2022.
- The review of the functions and responsibilities of the Bank's Risk Management Department, creating the necessary conditions (technical and human resources) for the implementation of a Risk Management Framework also aligned with best practices. Within the scope of this project, proposals were listed for structuring and transversal projects for the Bank, to be implemented in the short, medium and long term, aimed at providing the Bank with adequate Tools, Models, Methodologies, Metrics, Policies and Procedures for the balanced management of the risks inherent to its activity.
- The review of the Risk Management Department's Functions and Responsibilities Manual and preparation of the Bank's Risk Management Principles, Standards and Procedures Manual, which will be implemented in 2022.implementados em 2022;

- ▶ Capacity building of the Bank in risk matters, of which we highlight: i. start and completion of the RAF (Risk Appetite Framework) Project, ii. start of the Credit Process Improvement Project (including Rating and Credit Scoring Models), with completion scheduled for August 2022; and iii. start of the ESG (Environmental, Social and Governance) Project with completion scheduled for the second half of 2022.
- ▶ Start of operational risk training on the e-learning platform for the Bank's employees.

11.3 Risk Management Responsibilities

In the area of risk management, the Board of Directors of Moza Banco is the body responsible for defining risk policy, including the approval of the highest-level principles and rules on the subject, as well as defining the guidelines that will dictate the allocation of economic capital to the business lines.

The organizational chart below describes the governance model and immediately afterwards the functions/competencies of the relevant bodies within the scope of the Bank's risk management function:



Audit Committee

The Audit Committee is chaired by a Non-Executive Director and has the following responsibilities:

- ▶ Oversee the process of producing annual and interim financial statements;
- ▶ Oversee the establishment of accounting policies and practices by the Bank.;
- ▶ Monitor the integrity of the annual and interim financial statements;
- ▶ Review relevant accounting judgements contained in the financial statements;
- ▶ Ensure that the Executive Committee establishes and maintains an adequate and effective internal controls process to ensure compliance with laws, regulations and internal rules in terms of reporting (financial, operational and risk), as well as efficient and effective operations and asset protection.
- ▶ Approve criteria for the appointment of the external auditor and recommend to the Board of Directors for submission to the General Meeting of Shareholders, the hiring, renewal, and disengagement of the external auditor.
- ▶ Supervise the audit of the annual and interim accounts and discuss with the external auditor key matters triggered by the audit process.
- ▶ Ensure that senior management is taking the necessary corrective actions in the face of internal and external audit recommendations.
- ▶ Ensure that the deficiencies pointed out by the supervisory authorities concerning the internal audit function are corrected within the recommended periods, as well as to report to the Board of Directors on the progress of the actions being taken
- ▶ Analyze the periodic reports drawn up by the internal control functions, in matters of conflicts of interest, communication of irregularities and money laundering and financing of terrorism (AML/CTF) and to issue the respective opinion/comment.

Risk Committee

The Risk Committee is also chaired by a non-executive director and is responsible for advising the Board of Directors on the effective management of risks, in accordance with the best organizational practices in this field and the requirements of Notice no. 4/GBM/2013 - Risk Management Guidelines, proposing policies, methodologies and procedures for the assessment, management and control of all types of risk to which the Bank is exposed. It is also the Risk Committee's responsibility to:

- ▶ Propose and review the indicators and limits of the RAS (Risk Appetite Statement) of the Bank to the Board of Directors.
- ▶ Ensure the independent review of the ICAAP (Internal Capital Adequacy Assessment Process), reporting to the Board of Directors the respective conclusions.

Risk Assessment Committee

However, already in 2022, the Bank's Board of Directors, with a view to strengthening the Risk Management Governance Model and in order to respond to the increasingly demanding regulations, aiming to be in line with best practices, created the Risk Assessment Committee to replace the Risk Committee, which has a wide range of functions and responsibilities, of which the following should be highlighted:

- ▶ Monitor the evolution of the different risks and compliance with the applicable policies, regulations, and limits.
- ▶ Review the principles, policies, rules, limits and practices applied in Risk Management.
- ▶ Advise the Board of Directors on the Bank's current and future risk appetite and general risk strategy, and policies regarding the Bank's current and future assumption, management, control, hedging and risk reduction factors
- ▶ Monitor the activity of the Bank's Risk Management Division.
- ▶ Monitor the process of identifying risks and the development of metrics for measuring them and limits for their control, issuing opinions to the Board of Directors on their adequacy whenever necessary.
- ▶ Issue a prior opinion to the Board of Directors on the Market Discipline Report.
- ▶ Issue a prior opinion to the Board of Directors on the revision process of the Risk Appetite Framework (RAF) and to monitor the evolution of the indicators of the Risk Appetite Statement (RAS).
- ▶ Analyze all risk categories regulated by the law on credit institutions and financial companies and WB notices, with the same relevance.
- ▶ Assist the BoD in supervising the execution, by senior management, of the Bank's risk strategy.
- ▶ Analyze whether the conditions of the products and services offered to customers take into consideration the Bank's business model and risk strategy
- ▶ Analyze the adequacy of the allocation of resources to manage the risks regulated by WB notices and other applicable legislation.
- ▶ Monitor and ensure that the Bank's risk management systems are appropriate to the Bank's profile and strategy.
- ▶ Ensure the independent review of the ICAAP, issuing opinions to the BoD, on the capital and liquidity planning processes and respective conclusions.
- ▶ Recommend to the Bank's Executive Committee to prepare and submit to the Board of Directors the Final Report of the ICAAP, then follow up on the ICAAP monitoring process.
- ▶ Monitor the main compliance indicators and assess the work of the Bank's Compliance Department and propose to the Board of Directors the adoption of measures or corrections that it deems pertinent.

- ▶ Monitor compliance with all local legislation and best practices for the prevention of Money Laundering and the Financing of Terrorism and the existence of and compliance with appropriate Bank-wide compliance policies.
- ▶ Analyse the periodic reports prepared by the Bank's Compliance Department in the areas of conflicts of interest, communication of irregularities and money laundering and financing of terrorism (AML/CTF) and issue the respective opinion/comment.
- ▶ Provide the Board of Directors with the documentation analyzed by the Risk Assessment Committee (RAC).

Credit Committee

The Credit Committee of Moza Banco is responsible for making credit decisions or issuing a single order or opinion under the terms defined in the Bank's Credit Regulations.

Management Board

This is a consultative body, whose main function is to support the Executive Committee in assessing the performance of the Bank's activities, seeking to ensure the level of compliance with the defined objectives and to propose the appropriate strategic measures to achieve them. This forum brings together the entire Directive structure of the Bank, promoting a participative and extended management.

Assets and Liabilities Committee's ("ALCO")

The Asset and Liability Committee (ALCO) is responsible for executing the financial policy defined for the Bank, in the form of integrated management of assets and liabilities, ensuring the implementation of actions within the scope of standards and procedures aimed at the effective management of market (foreign exchange, interest rate, repricing) and liquidity risks. It plays an active role in the preparation of pricing policy proposals, based on the timely assessment of developments in internal and external macroeconomic matters, i.e., it ensures the identification of measures required to bring the Bank's structural position in terms of liquidity and/or market risks within the defined limits.

Operational Risk Committee

Operational Risk Committee is responsible for managing operational risk (including compliance, reputational and information technology risk components) as stipulated by Bank of Mozambique through Notice no.04/GBM/2013 of 18 September on Risk Management Guidelines. It is a support body to the Executive Committee.

IT Projects and Development Committee

This is a consultative body emanating from the Executive Committee. Its main function is to assess the Bank's IT development projects, aligning IT response capacity to the different IT development requests submitted by the Bank's various Organic Units in each IT cycle. It aims to ensure that the Bank's strategic IT priorities are met, to provide a status report and control of ongoing initiatives in the Information Systems and Technology Department (ISTD), to ensure alignment between initiatives and visibility over the portfolio and to overcome barriers in the logic of day-to-day IT management (prioritization).

In general, all employees, in the scope of the exercise of their functions, participate in the control and management of risks, being them responsible for the dissemination of the Risk Management Policy, verification of the occurrence of risk events and sharing of information when there are materially relevant facts, and collaborating with the Risk Management Department in the correct identification, assessment and mitigation of Operational Risk.

As mentioned above, the approval process for the Bank's new Risk Management Governance Model is underway, which is in line with best practices. In short, the new governance structure establishes the necessary balances for the Board of Directors to exercise oversight effectively. In addition, the structure proposed herein, complies with the new law on credit institutions and financial companies (Law 20/20 of 31 December), with regard to governance, specifically with regard to mandatory committees, taking into account the size of Moza Banco.

Risk Management Governance and Lines of Defense

Moza Banco adopts the 3 (three) lines of defense model for the management of different risks, which ensures transparency about the responsibilities assigned to each of the parties involved in risk management:

- ▶ The first line of defense are the **Business Units and the Units that generate Exposures to Risks (risk takers)**, whose responsibilities are: to identify, monitor and mitigate business risks, maintaining efficient controls.
- ▶ The second line of defense is composed of the following Directorates:
 - **Risk Management Department (RMD)**, whose main functions: ensure the protection of the Institution's capital, with regard to exposure to credit, market (interest and exchange rate), liquidity and operational risks, among others, checking at all times that the Bank's risk remains within the limits defined by the Board of Directors, operating in conjunction with the different Business Units in order to ensure that the first line of defense (commercial areas) identifies, assesses and reports the risks of their activities correctly.
 - **Compliance Department**, whose main mission is to ensure that Moza Banco complies with applicable legal, regulatory, statutory, ethical, good conduct and good national and international banking practices requirements, through institutional control and supervision defined by the regulatory authority and internal regulations (including issues of preventing and combating money laundering and terrorism financing crimes).
- ▶ The third line of defense is the **Audit Department**, which is responsible for independently reviewing the internal controls in place, through audits of the business processes, identifying the areas of greatest risk and in assessing the effectiveness, efficiency, and regularity of the procedures in the structural and support bodies.

Main activities developed and most relevant Risk Management interventions

The main activities carried out and the most relevant interventions of Risk Management, as well as some relevant achievements for the strengthening and improvement of Moza Banco's Risk Management System in 2021 were as follows:

- ▶ Beginning of the Capacity Building Programme for Moza Banco's Risk Management Function (PCFR, abbreviation in its original form), despite the adversity imposed by the pandemic. This programme is sustained on Five Pillars of action:
 - **Governance** - The First Pillar of Moza Banco's Risk Function Capacity Building Programme is related to the implementation of a new Risk Management Governance Model. This model was designed in 2021 having been approved at the Board of Directors meeting. The new Risk Management Governance Model of Moza Banco is a more robust model that is duly aligned with best practices and adjusted to the law 20/20 of 31 December, especially with regard to the mandatory committees, taking into account the size of Moza Banco;
 - **Organization** - The second pillar of this programme is based on the implementation of the project to restructure Moza Banco's Risk Management Department (RMD). As part of this project, a new Organizational Chart was defined and implemented for the RMD, which incorporates two new Departments (Monitoring of the Basel Accords and Supervision Standards and the Models and Reporting Department) and the necessary technical conditions were also created for a complete segregation of functions between the risk management areas and the areas for reporting prudential information to Bank of Mozambique;

- **Technological Infrastructure for Risk Management** - The Third Pillar of Moza Banco's Risk Function Capacity Building Programme is related to the implementation of Models for measuring the risks inherent to the Bank's activity. It was necessary to review the Bank's critical risk management processes, such as the impairment process. The Bank will implement an Impairment Model that incorporates not only the Impairment Calculation Module of the Collective Analysis Segment, but also the Impairment Calculation Modules of the Individual Analysis Segment, Estimation of Risk Factors and Backtesting. The Bank also approved the implementation of two other structural and transversal IT projects for the Impairment process, namely:

- * The Credit Scoring Model; and
- * The EWS Model - Warning Signs.

In addition, the Bank is implementing a Risk Datamart, for the production of critical risk management and control reports (RWA - Risk Weighted Assets, RAS - Risk Appetite Statement Indicators, etc., as well as the automation and optimisation of a set of processes and reports, which will allow the various teams greater availability for analysis and management of the issues inherent to their areas of activity) and the adoption of best practices for risk management and control (BCBA's RDARR Principles).

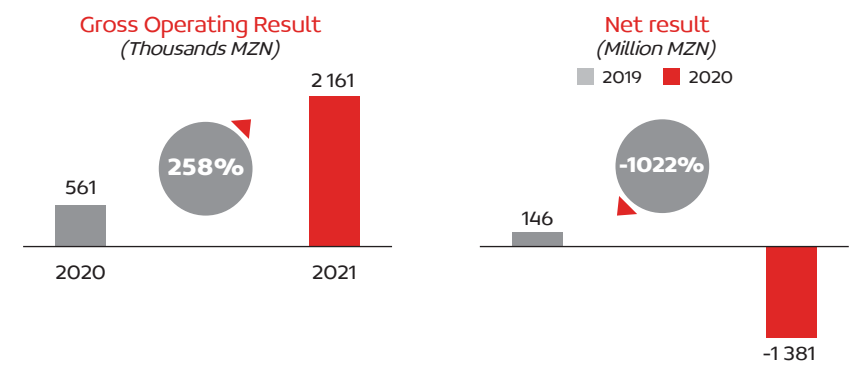
- **Procedures/Processes** - The Fourth Pillar of this programme is based on the implementation of Risk Management Procedures, adjusted to the Risk Management Guidelines (Notice 4/GBM/2013 of 18 September) with regard to the 4 key risk management processes (Identification, Measurement, Control and Monitoring). In this regard, the following progress was recorded:

- * Preparation, in 2021, of the Risk Management Policy and Standards Manual of Moza Banco (the Manual incorporates the definition of the Bank's Risk Taxonomy, the definition of the Risk Appetite Statement - RAS Indicators and the Risk Tolerance Matrix - RAM, for the assessment of Operational Risk), which was approved by the Bank's Board of Directors on 24/02/22.
- * In terms of Processes, the Bank approved the implementation of the Internal Control Project (Identification of the Bank's Critical Processes, Listing of Activities and Controls of these processes from an end-to-end perspective, identification of associated risks, as well as action plans to mitigate them). The beginning of this project is scheduled for 2022.

- **People/Human Resources** - The Fifth and last Pillar of Moza Banco's Risk Function Capacity Building Programme concerns the hiring of staff specialized in specific risk matters, namely:

- * Econometric Studies and Model Development and Calculation and Updating of Risk Factors (IFRS9);
- * Implementation of Basel Procedures and Prudential Standards related to risk management (Taxonomy of Risks/Materially Relevant Risks for ICAAP purposes, Review of Metrics and Methodologies for the quantification of capital requirements to cover those risks under Stress Testing and ICAAP, Preparation of proposals for the revision of the ASR, Stress Testing reports, ICAAP, Market Discipline and Risk Management Programme, among other activities).
- * Develop and maintain the Risk DataMart.
- * Monitoring Integrated Impairment Models (Individual and Group Analysis).

However, the positive gross operating income is fully absorbed by the impairments set up during the year, given the need to cover the risk associated to the overdue exposure, whose recoverability will be slow and complex, as well as the negative impact of Covid-19.

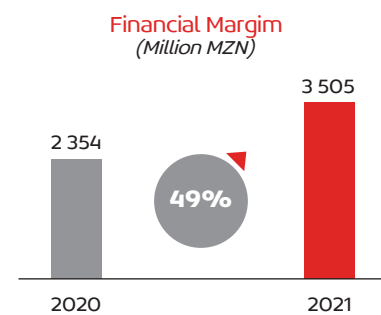


Income Statements (Thousands of Meticals)

	2020	2021	Variations
Interest and similar earnings	4 920 874	5 307 010	8%
Interest and similar expenses	-2 566 598	-1 802 351	-30%
Financial Margin	2 354 276	3 504 659	49%
Services and Net commissions	475 034	519 701	9%
Net financial transactions	160 367	491 240	206%
Banking Product	2 989 677	4 515 600	51%
Personnel Costs	-1 716 161	-1 733 513	1%
Other operating costs	-1 103 318	-1 159 876	5%
Other operating earnings	390 587	538 405	38%
Gross operating profit or loss	560 785	2 160 616	285%
Depreciations and Amortizations	-576 277	-505 148	-12%
Impairment and provisions for the financial year	240 706	-2 904 983	-1307%
Income before taxes	225 214	-1 249 515	-655%
Tax	-79 667	-131 506	65%
Net result	145 547	-1 381 021	-1049%

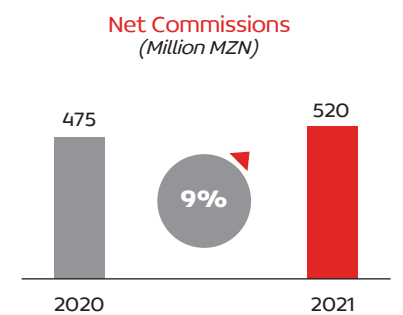
Financial Margin

Net interest income reached MZN 3 505 million, an increase of 49% compared to 2020. The level reached is the result of the Bank's efforts to maintain term deposit rates and the preference for remunerated demand deposits, a strategy based on the reduction of funding costs and the improvement of the DO/DP ratio. This trajectory responds to the Bank's strategy to ensure sustainability and an improvement in the Bank's results and to contribute to achieving the objectives established at the strategic level.



Net Commissions

In 2021, net commissions reached MZN 520 million, an increase of 9% compared to MZN 475 million in the same period of 2020. The increase in net commissions is essentially influenced by the improved level of volume of transactions in the various channels and services provided by the Bank, together with the optimization of the cost structure directly associated with them.



12. Financial Analysis

12.1 Introductory Note

As we have been mentioning, economic activity in the year 2021 was influenced by the maintenance and resurgence of the Covid-19 pandemic that continued to negatively impact the national economy. Moza's economic activity was carried out in a challenging and uncertain environment, but with the implementation of various initiatives in line with the strategic objectives defined by the Bank.

Thus, the Bank was forced to implement and maintain a more prudent strategy in its credit activity, which implied adjusting the loan portfolio that contributed to a reduction of about 10% in relation to the same period of 2020. In this context, the Bank reinforced impairments, and proceeded to the recovery of some overdue loans that were fully covered, in order to reduce the exposure to non-income generating loans and improve the overdue loans ratio.

With regard to Customer resources, in December 2021, the Bank shows a 7% reduction, standing at MZN 32.8 billion, against MZN 35.2 billion recorded in the same period of 2020. This decrease is based on the strategy of reducing funding costs, through an appropriate policy of remunerating resources in a context of increased competitiveness, especially in significant amounts at market level.

The overall transformation ratio, measured by the gross loan portfolio over total Customer funds, stood at 75% at the end of 2021, an improvement of 7 pp compared to 2020 resulting from the strategy of optimizing the balance sheet and a more prudent stance towards credit.

Activity and Results

In 2021, the Bank obtained a positive gross operating income, maintaining the trend it has been recording since 2019, reflecting an increase in revenue generation (making new products and services available and through greater proximity to Customers, thus ensuring a higher level of Customer loyalty and involvement), greater control and rationalization of operating and investment costs and optimization of the Balance Sheet.

Notwithstanding the impact of Covid-19, in 2021 Moza continued to register a significant improvement in the generation of income, with commercial banking product reaching MZN 4 516 million, a growth of 51% compared to the previous year (2020: MZN 2 990 million). Gross operating income for the financial year totaled MZN 2 161 million (2020: MZN 561 million).

The Bank's assets totaled MZN 45.1 billion, reflecting a year-on-year reduction of 5%, derived from the balance sheet optimization strategy, in a context of greater prudence in granting credit, which culminated in a reduction of credit, notwithstanding the positive evolution of the investment portfolio, resulting from the surplus liquidity available. The strategy of applying more liquid assets also aims to create conditions for the Bank to respond to possible pressures resulting from the evolution of the macroeconomic context less favorable to economic activity.

The Bank's liabilities also presented a reduction, compared to the same period of 2020, from MZN 39 608 million to MZN 36 610 million, as a result of the Bank's strategy to reduce the cost of funding, through an adequate remuneration policy of resources, in a context of increased competitiveness in capturing resources of significant amounts at market level, as well as the reclassification and adjustments in the deposit portfolio.

In prudential terms, at the end of 2021, the solvency ratio stood at 23.21%, up 8.3 pp. from the previous year (2020: 14.83%), above the regulatory requirements defined by the Regulator of 12%. Additionally, Moza Banco's liquidity ratio stood at 44.55% (2020: 42.53%), also above the regulatory minimum level required by the Bank of Mozambique, 25%. These levels are considered adequate in relation to the requirements and benchmarks, allowing the Bank to cover the current and future risks to which its activity may be subject.

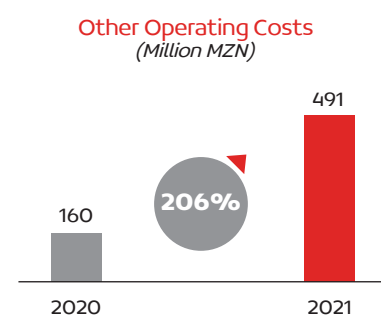
12.2 Analysis of profitability

Gross Operating Result

In 2021, Moza maintained its consistency in generating positive gross operating income, having reached MZN 2 161 million, a significant evolution of 285% compared to the same period of the previous year, influenced by the improvement in net operating income combined with the consolidation of good practices in the management of operating costs.

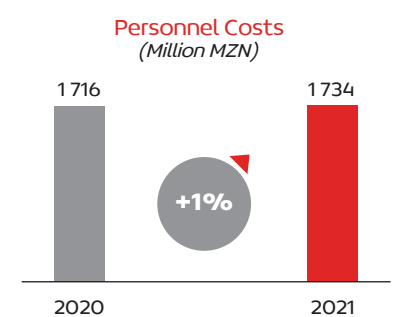
Net Financial Transactions

Net financial operations, which aggregate foreign exchange results and trading and hedging operations, totaled MZN 491 million in 2021, which compares with the MZN 160 million recorded in 2020, showing a significant increase of 206%. The significant increase in income from financial operations is largely explained by the exchange revaluation gains on lease liabilities denominated in foreign currency, in the light of IFRS 16, resulting from the appreciation of the Metical against the US Dollar (MZN 303 Mio).



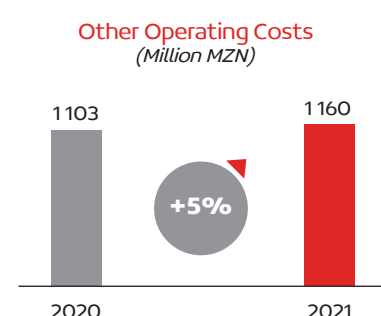
Personnel Costs

With regard to personnel costs, the Bank's effort to rationalize structural costs is evident, having presented an increase of 1% compared with the same period of 2020, setting it at MZN 1 734 million, an increase well below the average inflation rate for the period in question.



Other Operating Costs

Other operating expenses totaled MZN 1 160 million in 2021, representing an increase of 5% year-on-year. Of note was the increase in specialized services, legal services within the scope of the restructuring of financing contracts.

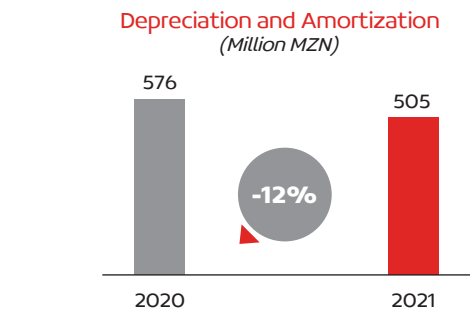


Other Operating Profits

The item on other operating gains includes, essentially, the adjustments to the accounts relating to previous years. During 2021, the Bank implemented several initiatives that culminated with the recovery of overdue loans and other assets, which meant the recognition of extraordinary income, previously recorded as losses. Other Operating Profits totaled positive MZN 538 million, which represents an increase of 38% compared to 2020.

Depreciation and Amortization

In 2021, depreciation and amortization for the financial year showed a reduction of 12% compared to the previous year, totaling MZN 505 million, compared to MZN 576 million recorded in 2020. The tangible assets that reached their useful life in 2021 contributed to this reduction, as well as the process of writing off idle assets resulting from the process of closing branches in informal markets.



The appropriations for impairment and provisions show an increase of MZN 3 146 million, a significant variation compared with the same period of the previous year, reflecting the need to cover the risk of the loan portfolio, including overdue credit exposures.

In millions of Meticals	2020	2021	Variação
Impairment and Global Provisions	-241	2 905	-1307%
Credit Impairment	(191)	2 659	-1489%
Assets available for sale	(40)	193	-586%
Other assets	(16)	81	-596%
Provisions	7	(28)	-519%

Credit impairment

During 2021, in the scope of credit risk management and the Bank's balance sheet optimization strategy, Moza took actions aimed at the continuous search for efficiency in risk management and to ensure the necessary coverage levels against potential risks. Thus, the Bank significantly increased credit impairments aimed at covering exposure and overdue credit risk, including the potential impact of Covid-19.

As a result of the balance sheet optimization that includes the write-down of overdue operations, fully covered by credit impairments, the coverage ratio decreased from 16.0% to 19.9%, reflecting a reduction of 5.1 pp, still indicating the maintenance of the defined risk profile.

Quality of Customer Credit	Annual Evolution				
	2018	2019	2020	2021	Variation
Credit impairment/Total of Overdue Loan	174,0%	132,2%	101,9%	71,4%	-30, pp
Credit impairment/Overdue Loan > 90 days	179,1%	139,9%	103,3%	74,3%	-28, pp
Average cost of impairment	1,4%	2,9%	-0,7%	-9,9%	-9,2 pp
Overdue loan/Credit Total	10,5%	12,8%	15,7%	15,2%	-0,4 pp
Accrued impairments on the Balance Sheet/Total loans	18,3%	16,9%	16,0%	10,9%	-5,1 pp

At the end of 2021, the overdue loans ratio was 15.2%, compared to 15.7% in 2020. This reduction also reflects the effects of the balance sheet optimization strategy, in a context in which the banking sector continues to show a trend towards higher levels of non-performing loans, resulting in a lower appetite for lending by financial institutions in general.

The ratio of coverage of overdue loans by impairment fell by 30 pp, from 101.9% to 71.4%. This reduction results from the use of loan impairments in the process of overdue credit recovery.

Impairment of assets available for sale

Throughout 2021, there was an increase in the impairments of securities held by Moza in the amount of MZN 234 million. The increase in impairments of Other Assets results from the need to cover the risk of devaluation of financial assets compared to the valuations made through market prices (Mark-to-Market).

Other Impairments and Provisions

With regard to provisions, the Bank recorded reversals totaling about MZN 28 million, as a result of the favorable outcome for the Bank of processes underway in 2020.

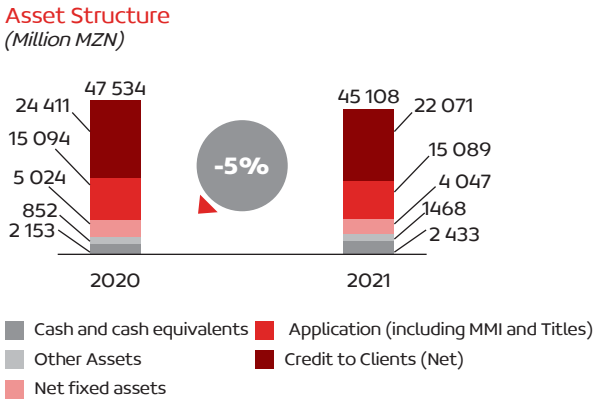
12.2 Balance Sheet Analysis

Total Asset

Moza Banco's total assets showed a reduction of 5% when compared with the previous year, reaching MZN 45 108 million in 2021, which compares with MZN 47 534 million in 2020. The reduction of the loan portfolio as a result of the balance sheet optimization strategy, contributed significantly to the reduction of Assets

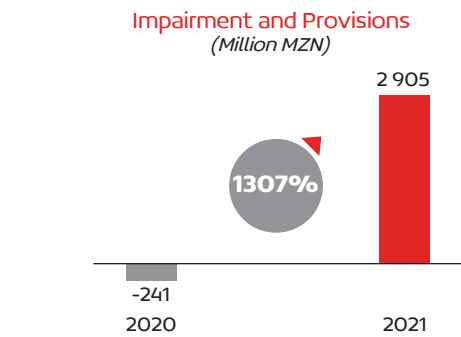
Regarding the banking sector, the activity developed in 2021 continued to be conditioned by the unfavorable evolution of non-performing loans, derived from the pandemic crisis, reflected in the greater appetite of Banks in the application of excess cash in securities in the Interbank Market.

As a result of the reduction of the Balance Sheet, at the end of 2021, Moza Banco moved from the 5th to the 6th position of the largest financial institutions in Mozambique in terms of assets, with a market share of 5.6% (2020: 6,1%)¹.



Impairment and Provisions

Impairments and provisions aggregate the items of appropriations for credit impairments, impairments of assets available for sale, impairments of other assets, namely assets received as payment in kind arising from the resolution of contracts with Customers, as well as appropriations for other provisions.



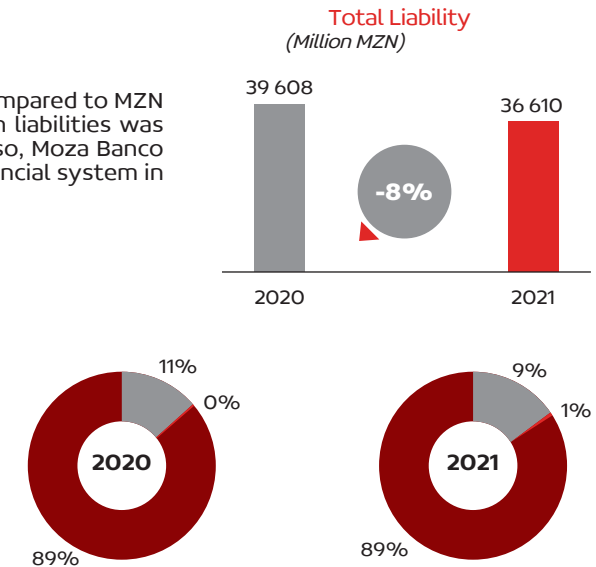
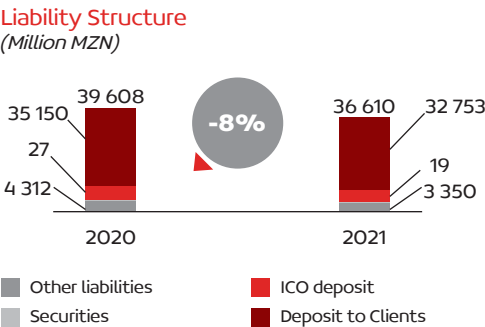
In terms of asset structure, in 2021, the credit item reduced its relative weight to represent 49% of total assets (2020: 51%), which also responds to the asset portfolio diversification strategy.

The context derived from the pandemic crisis provided the challenges that were answered by the Bank's resilience capacity, which resulted in the definition of a specific plan to respond and meet the needs of the resilient activity sectors.

The composition of the Bank's assets demonstrates the strategy carried out by Moza Banco's Management Bodies to ensure an adequate diversification of fund applications and respective maturities with a view to ensuring the maintenance of a high level of liquidity to meet possible market imbalances.

Total Liability

In 2021, the Bank's liabilities stood at MZN 36 610 million, compared to MZN 39 608 million in the same period of 2020. The decrease in liabilities was largely due to the reduction in the deposit portfolio. Even so, Moza Banco continues in the 5th position of the largest Banks in the financial system in terms of deposits with a share of 5.7% (2020: 6.1%).

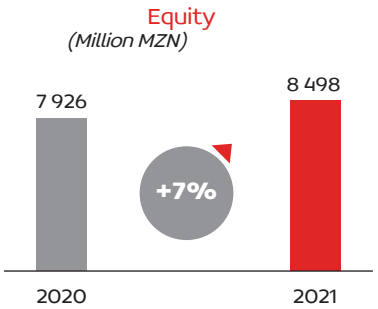


In the period under review, Customer deposits continued to be the main source of funding for the Bank's activity, representing 89% of total liabilities. In 2021, Customer deposits amounted to MZN 32 753 million, 7% less than in the previous year. This reduction is partially explained by their partial reclassification as consigned resources, as well as by the Bank's strategy to reduce funding costs, through an adequate remuneration policy of resources, in a context of increased competitiveness in capturing resources of significant amounts at market level.

Other liabilities, which include borrowed funds and lease liabilities (IFRS 16), current and deferred taxes and other liabilities, stood at MZN 2,987 million, which compares with the MZN 3,991 million registered in the same period of the previous year.

Equity

In 2021, shareholders' equity was reinforced through a capital injection by shareholders, to the value of MZN 1.95 billion. Thus, Equity, which includes the share capital, reserves, retained earnings and net profit for the year, showed a significant improvement, totaling MZN 8 498 million, compared to MZN 7 926 million in 2020.



Capital adequacy

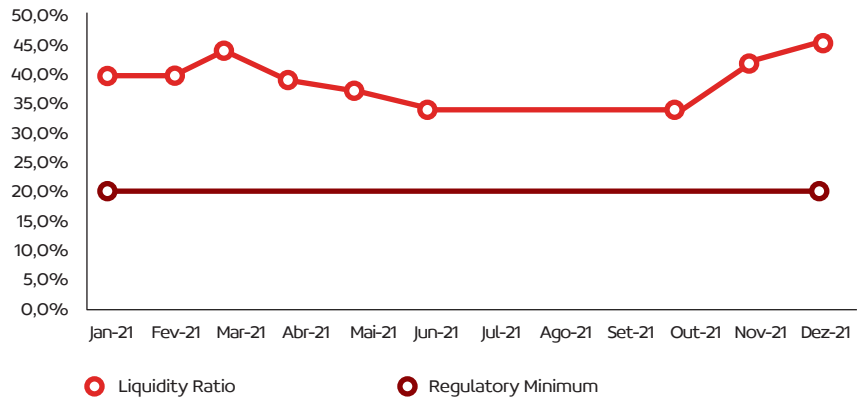
In 2021, regulatory own funds showed an increase of 51%, compared to 2020, standing at the levels of MZN 5 585 million, which keeps the Bank at a comfortable level of solidity. On 31 December 2021, Moza Banco had a Tier 1 ratio of 26.42% (2020: 19.09%).

Throughout 2021, Moza Banco continued to show an adequate solvency situation, with the solvency ratio standing at 23.21%, above the required Regulatory limit (12.0%), which allows the sustained development of commercial activity.

Millions of Meticals	2020	2021	Variação
Total Regulatory Own Funds	3 707	5 585	51%
Basic Own Funds	4 774	6 358	33%
Additional Own Funds	121	3	-98%
Other Deductions	-1 188	-776	-35%
Risk Weighted Assets	25 002	24 061	24 061
Core Capital Ratio (Tier I)	19,09%	26,42%	7,32 pp
Solvency Ratio	14,83%	23,21%	8,38 pp

Liquidity

At the end of 2021, Moza Banco's liquidity ratio stood at 44.55% (minimum: 25%) evidence that the Bank has an adequate liquidity position, which allows the Bank to cover the current and future risks to which its activity may be subject.




13. Proposal for the Application of Results

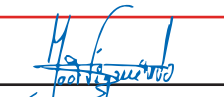
The financial year ended on 31 December 2021 generated negative results, after tax, of **1.381.020.906** (One thousand three hundred and eighty-one million, twenty thousand, nine hundred and six Meticals), and considering this fact as well as the legal and statutory provisions in force, the Board of Directors of Moza Banco, SA hereby proposes, for the approval of the General Meeting, the following application of the results of the financial year:

- ▶ 100% of the negative result of the 2021 economic year, in the amount of 1.381.020.906 (One thousand three hundred and eighty-one million, twenty thousand, nine hundred and six Meticals), be applied in retained earnings.

Thus, and after application of the results proposed above, the equity structure will be as follows:

	Balance as at 31.Dez.2021	Proposal		Balance as at 31.Dez.2021
		Use of the share premium	Retained Earnings	
Capital	5 896 250 000	-	-	5 896 250 000
Legal Reserve	4 661 842 392	-	-	4 661 842 392
Issue premium	1 993 740 399	-	-	1 993 740 399
Previous FY retained earnings	(2 672 992 256)	-	(1 381 020 906)	(4 054 013 162)
Income Statement	(1 381 020 906)	-	1 381 020 906	-
	8 497 819 629			8 497 819 629


Administrator of the Board of Directors


Chairman of the Board of Directors

Statement of Responsibility by the Directors

The Directors are responsible for the preparation and fair presentation of the Financial Statements of Moza Banco, S.A., which comprise the statement of financial position as at 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The Directors are also responsible for the internal control system relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective risk management system.

The Directors have assessed the Bank's ability to continue to operate on a going concern basis and have found no reason to disbelieve that the Bank will continue to operate on a going concern basis in the foreseeable future.

The auditor is responsible for reporting on whether the Financial Statements are properly presented in accordance with International Financial Reporting Standards.

Approval of the Financial Statements

The Financial Statements, as mentioned in the first paragraph, were approved by the Board of Directors on 31 March 2022 and are signed on your behalf, by:

 Director of the Board of Directors

 Chairman of the Board of Directors

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
Interest and similar income	4	5 307 010	4 920 874
Interest and similar expenses	4	(1 802 351)	(2 566 598)
Financial Margin	4	3 504 659	2 354 276
Income from services and commissions	5	667 316	641 444
Fee and commission expenses	5	(147 615)	(166 410)
Net fees and commissions	5	519 701	475 034
Net financial transactions	6	491 240	160 367
Operating income	-	4 515 600	2 989 677
Net impairment for the year	17,18,19,20,28	(2 933 034)	247 405
Net Operating Income	-	1 582 566	3 237 082
Personnel Costs	7	(1 733 513)	(1 716 161)
Depreciation and Amortisation	21,22,23	(505 148)	(576 277)
Other operating expenses	8	(1 159 876)	(1 103 318)
Other operating profits	9	538 405	390 587
Provisions	10	28 051	(6 699)
Income before taxes	-	(1 249 515)	225 214
Income tax	-	-	-
IRPC - Restitution fee	12	(131 506)	(79 667)
Profit/loss for the financial year		(1 381 021)	145 547
Earnings per share			
Basics	13	(1,68)	0,18
Diluted	13	(1,68)	0,18

 OCAM n° 888/CC/OCAM/2013

 The Administration

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER 2021

	2021	2020
Profit/loss for the year	(1 381 021)	145 547
	(1 381 021)	145 547

 OCAM n° 888/CC/OCAM/2013

 The Administration

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021	2020
ASSETS			
Cash and Deposits at the Central Bank	14	2 250 359	1 404 996
Claims on credit institutions	15	182 543	747 639
Loans and advances to credit institutions	16	8 344 160	10 873 091
Financial Assets	17	6 744 716	4 220 982
Loans and advances to customers	18	22 070 821	24 410 709
Other assets	19	856 148	384 766
Non-current assets held for sale	20	837 106	788 538
Investment property	21	351 936	903 288
Tangible Assets	22	2 706 547	3 182 984
Intangible Assets	23	151 503	149 486
Current Tax	24	517 274	372 037
Deferred Tax	11	95 000	95 000
Total Assets		45 108 113	47 533 516
LIABILITIES			
Credit Institutions Resources	25	19 102	27 314
Deposits and current accounts	26	32 753 139	35 150 178
Consigned resources	27	354 281	311 925
Other liabilities	28	2 987 259	3 990 781
Debtenture loans	29	487 674	118 639
Deferred Taxes	11	8 839	8 839
Total Liabilities		36 610 294	39 607 676
EQUITY			
Share capital	30	5 896 250	3 943 250
Legal reserve	31	4 661 843	4 661 843
Share premium	31	1 993 740	1 993 740
Retained Earnings	-	(4 054 014)	(2 672 993)
Total Equity		8 497 819	7 925 840
Total Equity and Liabilities		45 108 113	47 533 516

 OCAM n° 888/CC/OCAM/2013

 The Administration

STATEMENT OF CHANGES IN EQUITY

	Share capital (note 30)	Legal Reserve (note 31)	Share Premium (note 31)	Retained Earnings (note 31)	Total Equity
Balance at 1 January 2020	3 943 250	4 661 843	1 993 740	(2 818 540)	7 780 293
Profit of the Financial Year	-	-	-	145 547	145 547
Balance at 31 December 2020	3 943 250	4 661 843	1 993 740	(2 672 993)	7 925 840
Increase of the share capital	1 953 000	-	-	-	1 953 000
Loss of the Financial Year	-	-	-	(1 381 021)	(1 381 021)
Balance at 31 December 2021	5 896 250	4 661 843	1 993 740	4 054 014	8 497 819

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STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021

	2021	2020
Cash flow from operating activities		
Profit/loss before tax	(1 381 021)	145 547
Adjustments from:		
Depreciation and amortisation	505 148	576 277
Loan impairment losses	2 933 034	(247 405)
	2 057 161	474 419
Movements in:		
Loans and advances	(319 340)	(344 054)
Financial assets	(2 564 752)	(461 300)
Other assets	(616 618)	446 384
Available-for-sale non-current assets	(241 602)	157 103
Deposits from credit institutions	(8 212)	(952 538)
Deposits and current accounts	(2 397 039)	5 804 054
Other liabilities	(1 043 277)	716 471
Net cash flow from operating activities	(5 133 679)	5 840 539
Cash flow from investing activities		
Acquisition of investment property	521 202	(789 453)
Acquisition of tangible assets	31 217	(72 398)
Acquisition of intangible assets	(31 795)	(52 280)
Net cash flow from investing activities	520 624	(914 131)
Cash flow from financial activities		
Repayment of consigned funds	42 356	18 874
Repayment of bond loans	369 035	82
Share capital increase	1 953 000	-
Net cash flow from financial activities	2 364 391	18 956
Increase in cash and cash equivalents	(2 248 664)	4 945 364
Cash and cash equivalents at the beginning of the financial year	13 025 726	8 080 362
Cash and cash equivalents the end of the financial year	10 777 062	13 025 726

Cash and Cash Equivalents are presented as follows:

	2021	2020
Cash and Deposits at the Central Bank	2 250 359	1 404 996
Claims on credit institutions	182 543	747 639
Investments in credit institutions	8 344 160	10 873 091
	10 777 062	13 025 726

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 The Administration

1. Introduction

Moza Banco, S.A. (hereinafter Moza Banco) is a Commercial Universal Retail Bank, established in 2007, with registered office in Maputo, having as shareholders KUHANHA- Management Company of the Bank of Mozambique Pension Fund, ARISE B.V., Moçambique Capitais, S.A., Novo Banco Africa S.G.P.S, S.A. (Portuguese Bank) and Dr. António Almeida Matos.

The Bank provides financial services targeted at corporate and individual customers, with a special focus on the Retail, Corporate and Institutional segments.

The year ended 31 December 2021, was characterised by the maintenance of measures to mitigate the impact of the Covid 19 pandemic, in a scenario where the effects of the second and third waves of the pandemic negatively impacted Moza Banco's activities.

At the level of the Bank's branch network, the temporary closure of 10 branches was maintained until the end of the third quarter of 2021, as well as the closure of several branches on Saturdays, reflecting the Bank's strategy to ensure greater protection for employees, customers, and the general public.

Currently the Bank has 63 branches and 108 ATM's distributed throughout all provinces of Mozambique (2020: 70 branches), being also noteworthy that 16 of these branches are located in rural areas and the remaining ones in urban areas.

1.1. Basis of Presentation

The Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The Financial Statements of Moza Banco, SA for the year ended 31 December 2021 were approved by the Ordinary General Meeting held on 31 March 2022.

1.2. Functional and presentation currency

The Metical is the Bank's functional currency, and the Financial Statements are prepared and presented in this currency, rounded to the nearest thousand Meticaís, unless otherwise stated.

1.3. Use of estimates and judgements

In preparing the Financial Statements, Administration used its judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those reported.

The underlying estimates and assumptions are reviewed on an ongoing basis and revisions to estimates are recognised prospectively. Critical accounting estimates and judgements are analysed as follows:

Judgements

The Bank uses judgment in establishing the criteria for determining whether the credit risk on a financial asset has increased significantly since initial recognition, in determining the methodology to incorporate in the forward-looking information for measuring expected credit loss (ECL), and in selecting and approving the models used to measure ECL.

- ▶ **Note 3:** establishes the criteria for determining whether the credit risk on a financial asset has increased significantly since initial recognition;

Covid 19 Pandemic

With the Covid 19 Pandemic, the Bank has adjusted for some entities, covered by the impacts of Covid 19, its assumptions for determining the credit risk on a financial asset to be able to identify whether it has increased significantly since initial recognition as described in paragraph 3.1 Credit Risk.

Presumptions

Impairment of financial instruments - determined through inputs into the expected credit loss measurement (ECL) model, including the incorporation of forward-looking information.

Deferred tax assets - recognition of deferred tax assets through the availability of future taxable income against which tax losses carry forward can be utilised. During the financial year 2021, the Bank did not recognise Deferred tax Asset on loss generated in the own year.

- ▶ **Note 32.1:** Fair value in financial instruments.
- ▶ **Note 11 e 12:** Income tax.
- ▶ **Note 1.4 (f):** Impairment of financial instruments.

1.4. Summary of significant accounting policies

The main accounting policies applied in the preparation of the financial statements have been consistently applied throughout the years and are described as follows:

Transactions in foreign currency

Foreign currency transactions are recognised on the basis of the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate at the reporting date.

The foreign exchange gain or loss on monetary items is the difference between the amortised cost of the functional currency at the beginning of the year, adjusted for interest, impairments and actual payments during the year, and the amortised cost in foreign currency 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 rate at the date when the fair value is determined. Non-monetary items that are measured on the historical cost basis in foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Financial assets and liabilities

Initial recognition and measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date they are originated. All other financial instruments (including regular purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at Fair Value through Profit or Loss, transaction costs that are directly attributable to its acquisition or issue.

The fair value of a financial instrument is generally the transaction price.

Classification

Financial Assets

On initial recognition, a financial asset is classified as: amortised cost, fair value through Other Comprehensive Income or fair value through Profit or Loss.

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

- ▶ The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- ▶ The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income. This decision is made on an investment-by-investment basis.

All other financial assets that do not fall within the above classifications are measured at fair value through profit or loss.

In addition, at initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business valuation model

The Bank makes an assessment of the objective of a business model in which an asset is held in the portfolio, considering that it best reflects the way the business is run and the information that is provided to management.

The information considered includes:

- ▶ the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest income by maintaining a specific interest rate profile, matching the duration of the financial assets with the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ▶ how the performance of the portfolio is evaluated and reported to the Bank's management;
- ▶ the risks affecting the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed
- ▶ and how business managers are compensated (for example, whether remuneration is based on the fair value of assets managed or on contractual cash flows collected); and
- ▶ the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information on sales activity is not considered in isolation but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realised.

The Bank's Retail Banking and Corporate Banking activities include mainly loans to clients that are held for the collection of contractual cash-flows. In Retail banking, loans comprise those for housing, overdrafts, consumer loans without a mortgage and credit card facilities. Sales of loans from these portfolios are very rare.

Debt securities are held by the Bank in a separate portfolio for cash-flow income over the maturity of the securities. These securities may be sold; however these sales are infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect contractual cash flows.

Financial assets that are held or managed for trading whose performance is evaluated based on fair value are measured at fair value through profit or loss, considering that they are not held to collect contractual cash flows nor to collect contractual cash flows and to sell assets.

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

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding over a given period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

In assessing whether contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that may change the term or value of the contractual cash flows such that it does not meet that condition. In making the assessment, the Bank considers:

- ▶ contingent events that would change the value and timing of cash flows;
- ▶ other features;
- ▶ prepayment and extension terms;
- ▶ terms that limit the Bank's claim to cash flows from specific assets (e.g., non-recourse loans); and
- ▶ remedies that modify the consideration of the time value of money (e.g., periodic resetting of interest rates).

The Bank holds a portfolio of variable rate loans for which it has the option to propose the revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of the revision.

The Bank has determined that the contractual cash flows on these loans are SPPI considering that the option varies the interest rate in a manner that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification

Financial assets are not reclassified after their initial recognition, except in the period after the Bank has changed its business model to financial asset management.

Derecognition

Financial Assets

The Bank derecognises a financial asset when the contractual rights associated with the cash flows of the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all risks and rewards of ownership and does not have control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the part of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that has been recognised in Other Comprehensive Income is recognised in Profit or Loss.

Any cumulative gain/loss recognised in Other Comprehensive Income in respect of equity investment securities designated at fair value through Other Comprehensive Income is not recognised in profit or loss on derecognition of those securities. Any interest in transferred financial assets that qualify for derecognition created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised in its statement of financial position but retains all or substantially all the risks and rewards of the transferred assets or a portion thereof. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, considering that the Bank retains all or substantially all risks and rewards of ownership of such assets.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

An asset or liability is recognised for the service contract if the service fee is more than adequate (asset) or is less than adequate (liability) for the service performance.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are settled or cancelled, or when they expire.

Changes in financial assets and liabilities

Financial Assets

If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to the cash flows of the original financial asset are considered overdue. In that case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- costs that are considered in determining the fair value of the new asset and costs that represent the reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other costs are included in profit or loss as part of the gain or loss on derecognition

If cash flows are modified when the borrower is in financial difficulty, the objective of the modification is generally to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank intends to modify a financial asset in a manner that would result in cash flow forgiveness, the Bank initially considers whether a portion of the asset should be written off before the modification occurs (see write-off policy below). This approach affects the outcome of the quantitative assessment and means that the derecognition criteria are generally not met in such cases.

If the modification of a financial asset measured at amortised cost or Fair Value through Other Comprehensive Income does not result in derecognition of the financial asset, then the Bank initially recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such modification is made due to financial difficulties of the borrower, the gain or loss is presented together with the impairment charges. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In that case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. The consideration paid includes non-financial assets transferred, if any, and assumption of liabilities, including the modified new financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market conditions at the time of modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by recalculating the effective interest rate on the instrument.

Compensation

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and costs are presented net only when International Financial Reporting Standards (IFRS) permit, or for income and costs arising from similar transactions of the Bank in its operating activity.

Fair Value Measurement

'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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered 'active' if transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable data and minimise the use of unobservable data. The valuation technique chosen incorporates all factors that market participants would take into consideration when pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique for which any unobservable "inputs" are judged to be insignificant in relation to the measurement, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument, but not after the valuation is fully supported by observable market data or the transaction is closed.

If an asset or liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at a ask price.

The portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to market or credit risk are measured based on a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments - for example bid adjustment or credit risk adjustments that reflect measurement on the basis of net exposure - are allocated to individual assets and liabilities based on the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (for example, a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be called.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred

Impairment

The Bank recognises provisions in respect of Expected Credit Losses on the following financial instruments that are not measured at Fair Value through Profit or Loss:

- Financial assets that are debt instruments;
- Leases receivable;
- Financial guarantee contracts issued; and
- Loan commitments issued

The Bank measures the loss provisions at an amount equal to the lifetime expected credit loss, except for the following, for which they are measured as 12-month expected credit loss:

- investment guarantees for debt that are determined to have low credit risk at the reporting date; and
- other financial instruments (except lease receivables) over which the credit risk has not increased significantly since initial recognition.

Allowances for losses on leases receivable are always measured at an amount equal to the expected lifetime credit loss.

The Bank considers a debt investment security to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

The 12-month Expected Credit Loss is the portion of the Expected Credit Loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which a 12-month Expected Credit Loss is recognised are referred to as 'Phase 1 financial instruments'. Financial instruments allocated to Phase 1 have not experienced a significant increase in credit risk since initial recognition and are not impaired.

Lifetime expected credit loss is the expected credit loss that results from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime expected credit loss is recognised but which do not have credit impairment are referred to as 'Phase 2 financial instruments'. Financial instruments allocated in Phase 2 are those that have experienced a significant increase in credit risk since initial recognition but are impaired.

Financial instruments for which lifetime credit loss is recognised and which are impaired are referred to as 'Phase 3 financial instruments'.

Measurement of Expected Credit Losses

Expected Credit Loss is a probability weighted estimate of credit losses which are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Credit-impaired financial assets at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Unrealised loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to repay the holder less the amounts the Bank expects to recover.

For discounting future cash flows, the following rates are used:

- Other financial assets not arising from or not originating from credit impairment, financial assets and lease receivables: the original effective interest rate or an approximation thereof.
- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that would be applied to the financial asset resulting from the loan commitment.
- Financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks specific to the cash flows; and
- Assets (Credit Impairments): the effective interest rate adjusted for credit

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced by a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and the Expected Credit Loss is measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows from the modified financial asset are included in the calculation of the cash shortfalls of the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is recognised as the ultimate cash outflow of the existing financial asset at derecognition. This amount is included in the calculation of cash shortfalls of the existing financial asset that are discounted from the expected date of derecognition to the reporting date, using the original effective interest rate of the existing financial asset

Impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at fair value through comprehensive income, and finance lease receivables are credit-impaired (referred to as 'stage 3 financial assets').

A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as an event of default or maturity;
- the restructuring of a loan or advance from the Bank on terms that the Bank would not otherwise consider;
- the borrower is likely to declare bankruptcy or another financial reorganisation;
- the disappearance from an active market of a security due to financial difficulties.

A renegotiated loan resulting from deterioration in the borrower's condition is normally considered impaired, unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and no other indicators of impairment exist. In addition, a loan that is 90 days or more past due is considered credit impaired, even when the regulatory definition of default is different.

In assessing whether an investment in sovereign debt is impaired, the Bank has considered the following factors:

- The assessment of market risk, as reflected in the yield on securities.
- The rating agencies' assessments of creditworthiness.
- The ability of the country to access capital markets for new debt issues
- The likelihood of the debt being restructured resulting in losses to holders through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use these mechanisms. This included an assessment of the depth of these mechanisms and, irrespective of political intention, whether there was capacity to meet the required criteria.

Presentation of the provision for Expected Credit Losses in the Statement of Financial Position

Provisions in respect of expected credit losses are presented in the statement of financial position as follows:

- ▶ Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; loan commitments and financial guarantee contracts: generally, as a provision;
- ▶ When a financial instrument includes a disbursed and undisbursed principal tranche, the Bank cannot identify the Expected Credit Loss on the loan commitment component separately from those of the disbursed tranche: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the carrying amount of the disbursed tranche. Any excess of the loss allowance over the gross amount of the disbursed tranche is presented as a provision; and
- ▶ Debt instruments measured at Fair Value through Other Comprehensive Income: no loss allowance is recognised in the statement of financial position considering that the carrying amount of those assets is their fair value. The loss allowance is disclosed and is recognised in the fair value reserve.

Derecognition

Loans and debt securities are derecognised (partially or wholly) when there is no reasonable expectation of recovering all or part of a financial asset. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flow to repay the amounts subject to write-off. This assessment is made at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets that are written off may still be subject to monitoring activities to comply with the Bank's procedures for the recovery of amounts due

Financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a separately accounted contract. The factors that the Bank considers in making this assessment include:

- ▶ the guarantee is implicitly part of the contractual terms of the debt instrument;
- ▶ the guarantee is required by the laws and regulations governing the debt instrument contract; ;
- ▶ the guarantee is entered into at the same time and in contemplation of the debt instrument; and
- ▶ the guarantee is given by the borrower's parent company or another company at the level of the borrower's group

If the guarantee is an integral element of the financial asset, then any premium payable related to the initial recognition of the financial asset is recognised as a transaction cost to acquire it. The Bank considers the effect of the guarantee when measuring the fair value of the debt instrument and when measuring the Expected Credit Loss

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any guarantee premium prepayment and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure is neither credit-impaired nor has experienced a significant increase in credit risk when the guarantee was acquired. Such assets are recognised in 'other assets'. The Bank presents gains or losses on an offsetting right in profit or loss in the item 'impairment losses on financial instruments'.

Recognition of revenue and expenses

Revenue is recognised when it is probable that future economic benefits will flow to the Bank and these benefits can be reliably measured. Revenue is recognised in accordance with the following criteria by item.

Interest

Effective interest rate

Interest income and expenses are recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future payments or receipts during the expected life of the financial instrument to:

- ▶ the gross carrying amount of the financial asset; or
- ▶ the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated assets with credit loss, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not the Expected Credit Loss. For financial assets with acquired or originated credit loss, a credit-adjusted effective interest rate is calculated using estimated future cash flows including the Expected Credit Loss.

The effective interest rate calculation includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial value and the maturity value and, for financial assets, adjusted for any provision for expected credit loss.

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expenditure

The effective interest rate for a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of the periodic re-estimation of the cash flows of floating rate instruments to reflect movements in market interest rates.

However, for impaired financial assets after initial recognition, interest revenue is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, the calculation of interest income reverts to the gross basis.

For financial assets that are credit-impaired at initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to the gross basis even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest rate method presented in the Statement of Profit or Loss and Other Comprehensive Income includes:

- ▶ Interest on financial assets and financial liabilities measured at amortised cost;
- ▶ Interest on debt instruments measured at Fair Value through Other Comprehensive Income.

Other interest income presented in the Statement of Profit or Loss and Other Comprehensive Income includes interest income on finance leases.

Interest expense presented in the Statement of Profit or Loss and Other Comprehensive Income includes financial liabilities measured at amortised cost and interest on lease liabilities.

Interest income and expense on other financial assets and liabilities at fair value through profit and loss is presented under net income on other financial instruments at fair value through profit and loss.

Commissions

- ▶ **Income from services and commissions**
The Bank earns income from services and commissions through a diversified network of services it provides to its Customers. Commissions can be classified into two categories:
- ▶ **Commissions that are charged for services rendered over a given period of time**
These are obtained as the services are provided and are recognised in profit and loss over the period in which the services are provided. These commissions include amounts charged for services rendered such as the issuance of Bank Guarantees and Letters of Credit
- ▶ **Commissions charged for services rendered**
Revenue from fees and commissions from Contracts with Customers is measured based on the remuneration specified in a contract with a customer. The Bank recognises revenue when the service is provided. Other fee and commission expenses mainly relate to transaction and service fees, which are accounted for as expenses when the services are received.
- ▶ **Net income on financial operations**
Net income on financial operations includes gains and losses on foreign currency transactions and conversion operations of monetary items denominated in foreign currency. In addition, the Bank recognises fair value gains and losses.

IFRS 16 - Leases

At the inception of a contract, the Bank assesses whether a contract is or contains a lease by starting from the definition set out in IFRS 16 which states 'a contract constitutes or contains a lease if it carries the right to control the use of an identified asset for a certain period of time in exchange for consideration'. This policy is applied to contracts entered into (or updated) on or after 01 January 2019.

The Bank is applying the amendment of IFRS 16 related to the treatment of leases at the time of pandemic Covid 19, with effective application on 01 January 2021.

Bank from the Lessee's perspective

At the inception or upon updating of a contract containing the lease component, the Bank allocates the consideration in the contract to each lease component based on its relative stand-alone price. However, for branch and office leases, the Bank has elected not to separate the non-lease components and to account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made prior to the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove any improvements made to the branches or office premises.

The asset under right of use is subsequently depreciated on the straight-line method from the commencement date to the end of the lease term. Additionally, the asset under right of use is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liabilities.

Lease liabilities are initially measured at the present value of lease payments that have not yet been made at the inception date, discounted at the implicit lease interest rate or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing loans from various external sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

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

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

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

When the lease liability is remeasured in this manner, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Bank presents right-of-use assets in 'Tangible assets' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for low value asset leases and short-term leases, including leases of communication and information technology equipment. The Bank recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Bank as Lessor

At the inception or on revaluation of a contract containing a lease component, the Bank allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

When the Bank acts as lessor, it determines at the inception of the lease whether it is a finance or an operating lease. To classify each lease, the Bank assesses whether or not all risks and rewards incidental to ownership of the underlying asset are substantially transferred to Moza Banco. If this is the case, then the lease is a finance lease; otherwise, such lease is treated as an operating lease. As part of this assessment, the Bank considers certain indicators, such as whether the lease is intended for the majority of the economic life of the asset.

Cash and cash equivalents

Cash and cash equivalents, as presented in the cash flow statement, comprise cash on hand, current accounts with the Central Bank and other credit institutions and highly liquid investments with maturities of up to three months from the date of acquisition, which are subject to an insignificant risk of change in fair value and are used by the Bank in the management of its short-term commitments, these being measured at amortised cost in the statement of financial position.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale whenever it is expected that their carrying amount will be recovered principally through sale and that sale is considered highly probable. For an asset (or disposal group) to be classified in this caption the following requirements must be fulfilled:

- The probability of sale is high;
- The asset is available for sale in its current condition; and
- The sale is expected to take place within one year from the asset's classification in that caption.

The assets recorded in this caption are not depreciated, being valued at the lower of cost or fair value less cost to sell. The fair value of these assets is determined based on valuations performed by specialised entities.

The Board of Directors undertakes to make every effort to sell these assets within one year of their classification in this category.

Tangible Assets

Property and equipment

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

Maintenance and repair costs and other expenses associated with their use are recognised in profit or loss in the period in which they are incurred. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of the asset. Any gain or loss on disposal of an item of property and equipment is recognised in other income in profit or loss.

Subsequent expenditure is recognised as tangible assets only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank.

Depreciation is calculated using the straight-line method, based on the estimated useful lives of the assets as well as their residual value. The residual values of the assets, as well as the useful lives of the assets and the depreciation criteria are adjusted, if necessary, at the reporting date. The estimated useful lives for tangible assets are as follows:

	Years	
Property	25	The Bank regularly reviews the adequacy of the estimated useful lives of its tangible assets. Changes in the estimated useful lives of the assets are recognised through changes in the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.
Rented Buildings	10	
Equipments	10	
Right-of-use assets	10	
Others	4-5	

Investment Properties

Investment properties are measured initially at cost and depreciated on a straight-line basis. Any gain or loss on disposal of investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes so that it is reclassified as a tangible asset, the net value of the asset at the reclassification date becomes its cost for subsequent accounting.

Intangible Assets

Intangible assets which include software values (licences) acquired by the Bank are stated at amortised cost less accumulated amortisation and less any impairment losses.

Costs of internally developed software are recognised as an asset when the Bank can demonstrate that the product is technically and commercially feasible, its ability and intention to generate future economic benefits, and can reliably measure the costs to complete the development. The capitalisation of costs of internally developed software includes all costs directly attributable to the development of the software and are amortised over its useful life. Internally developed software is measured at capitalised cost less accumulated amortisation and less impairment losses.

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

Income Tax

Income tax comprises current and deferred tax. Taxes are recognised in profit or loss except to the extent that they relate to business combinations or items recognised directly in equity or other comprehensive income.

The Bank determines interest and penalties arising on tax assessments, and any differences arising including uncertain tax treatment, that do not fall within the definition of income tax, are accounted for in accordance with IAS 37.

Current Taxes

Current tax comprises tax payable or receivable on the taxable profit or loss for the year and any adjustments to tax payable or receivable from previous years. Current tax assets or liabilities are estimated based on the expected amount payable to or recoverable from the tax authorities. The statutory tax rate used to calculate the amount is that in force on the reporting date.

Current tax is calculated based on the taxable profit for the year, which differs from the accounting result due to adjustments in the taxable income, resulting from expenses or income that are not relevant for tax purposes, or that will only be considered in other accounting periods. Current tax assets and liabilities may be offset if certain conditions are met.

Deferred Taxes

Deferred taxes are recognised on all temporary differences at the date of the financial position between the tax base of assets and liabilities and their corresponding accounting base.

The carrying amount of the deferred tax asset is reviewed at each financial year end 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 utilised. Unrecognised deferred tax assets are revalued at the reporting date and are recognised to the extent that it becomes probable that future taxable profits will allow the deferred tax asset to be recoverable.

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

Deferred tax assets or liabilities are offset if certain conditions are met.

Employee Benefits

Short term benefits

Short-term benefits comprise salaries, accrued holiday payments, variable remuneration, bonuses, and other non-monetary benefits, such as contributions for medical assistance.

Obligations to pay short-term employee benefits are measured on an undiscounted basis and are accounted for as costs when the related service is rendered.

A liability is recognised for the amount due to be paid in the short term under cash bonus plans or accrued holiday if the Bank has a present legal or constructive obligation to pay that amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Benefits from the conclusion of contract

Benefits for from the conclusion of contract are recognised as an expense when the Bank commits, with no realistic possibility of withdrawal, to a formal detailed plan to terminate the employee's contract, before his normal retirement date, or provide termination benefits as a result of an offer made to encourage voluntary resignation. If the benefits are not expected to be fully settled within 12 months after the reporting date, then they are discounted.

Provisions

A provision is recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the costs expected to be incurred to settle the obligation using a pre-tax rate that reflects current valuation.

Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities in issue and subordinated liabilities are the Bank's sources of debt financing. When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the same (or a similar asset) at a fixed price at a future date (sale and repurchase agreement) the consideration received is accounted for as a deposit and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies equity instruments as financial liabilities or equity instruments, according to the substance of the contractual terms of the instruments. Deposits, debt securities in issue and subordinated liabilities are initially measured at fair value less incremental direct transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, except where the Bank designates liabilities at fair value through profit or loss (FVTPL).

Where the Bank designates a financial liability at fair value through profit or loss (FVTPL), the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in other comprehensive income (OCI) as a liability credit reserve.

On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in other comprehensive income (OCI) would create or enlarge an accounting mismatch in profit or loss. This assessment is made using a regression analysis to compare:

- expected changes in the fair value of the liability related to changes in credit risk; and
- the impact on profit or loss of expected changes in the fair value of instruments whose characteristics are economically related to those of the liability

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the cumulative amount listed in the liability credit reserve is transferred to retained earnings.

Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for loss it incurs because a specified debtor fails to make payment when required to do so under the terms of the debt instrument. 'Loan commitments' are firm commitments to extend credit with pre-established terms and conditions.

Financial guarantees issued or commitments to lend at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Liabilities arising from financial guarantees and loan commitments are included in provisions.

Share Capital and reserves

Other equity instruments

The Bank classifies instruments issued as financial liabilities or equity instruments, according to the nature of the contractual terms of the instruments.

Share issuance costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Accounting standards issued but not implemented.

A number of other new regulations were effective from 01 January 2020; however these had no material impact on the Bank's Financial Statements.

- ▶ Onerous contracts - costs to fulfil a contract - amendments to IAS 37 (effective date: 1 January 2022);
- ▶ Improvement cycle (2018 - 2020) - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective date: 1 January 2022);
- ▶ Sale proceeds before intended use - amendments to IAS 16 (effective date: 1 January 2022);
- ▶ Reference to the conceptual framework - amendments to IFRS 3 (effective date: 1 January 2022);
- ▶ Classification of liabilities into current and non-current - amendments to IAS 1 (effective date: 1 January 2022);
- ▶ IFRS 17 - Insurance Contracts (effective date: 1 January 2023);
- ▶ Amendments to IFRS 17 - Insurance Contracts (effective date: 1 January 2023);
- ▶ IAS 8 - Changes to the definition of accounting estimates (effective date: 1 January 2023);
- ▶ Disclosure of accounting policies - Amendments to IAS 1 and IFRS disclosures (effective date: 1 January 2023);
- ▶ Deferred tax related to assets and liabilities arising from a transaction - amendments to IAS 12 (effective date: 1 January 2023).

Risk management, objectives and policies

The risk management function at Moza Banco is supported by a governance model that simultaneously seeks to respect the best practices in this area and to ensure the robustness and efficiency of the system for identifying, measuring, controlling and monitoring the financial and non-financial risks to which Moza Banco is or could be exposed, namely:

- ▶ Credit Risk;
- ▶ Liquidity Risk;
- ▶ Interest Rate Risk;
- ▶ Foreign Exchange Rate Risk;
- ▶ Operational Risk;
- ▶ Strategic Risk;
- ▶ Reputation Risk;
- ▶ Compliance Risk;
- ▶ Information Technology (IT) Risk;
- ▶ Concentration Risk.

Risk management is carried out transversally and supported by a dedicated structure, the Risk Management Department, under the responsibility of a member of the Executive Committee of Moza Banco.

Moza Banco considers the guidelines of the Mozambican Financial System Regulator (SFM), as well as the globally accepted risk standards, such as the COSO, Corporate Risk Management Integrated Framework, and the ISO 31000 Risk Management Principles, as the technical and methodological reference for the Bank's Risk Management Policy.

Moza Banco's Risk Management Conceptual Framework

The conceptual risk management framework implemented at Moza Banco comprises the scope of risks, the processes, systems and procedures to manage such risks, as well as the roles and responsibilities of the different Bank bodies involved in their management. Moza Banco considers that its conceptual risk management framework fits its size and complexity and is comprehensive enough to capture all the risks to which it is exposed and has the necessary flexibility to accommodate any changes towards improving the Bank's activities.

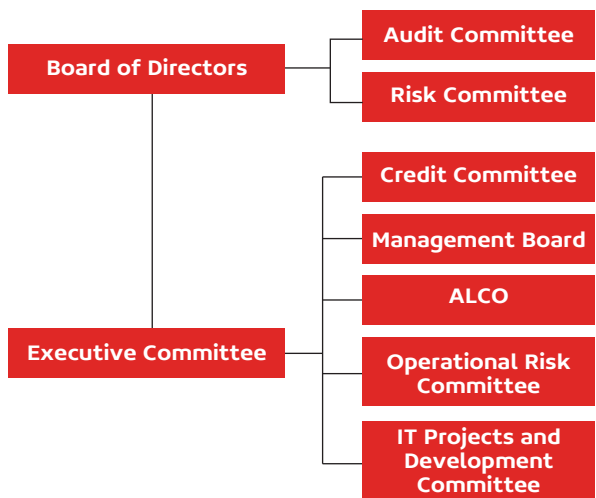
It is in this context that the Board of Directors of Moza Banco holds responsibility for the level of risks assumed by the Bank, approves the Bank's overall business strategies and risk taking and risk management policies, providing clear guidance regarding levels of risk exposure through the Bank's Risk Appetite Statement (RAS). In addition, the risk management policies, and procedures, as well as the limits to control the Bank's level of exposure to the risks inherent to its activity, are designed to be consistent with the complexity and size of the business, objectives, targets and financial strength of the Bank.

The Bank regularly reviews its risk management policies to reflect changes in markets, products and best practices in the sector where it operates.

Moza Banco's Risk Management Governance Model

In terms of risk control and management, the Bank has adopted a Governance model that establishes the necessary balances for the Board of Directors to exercise oversight effectively by monitoring overall risk levels. In addition, the structure conforms to the new law on credit institutions and financial companies (Law 20/20 of 31 December) in matters of governance, specifically with regard to mandatory committees, taking into account the size of Moza Banco. The monitoring process assures the Board of Directors, that the Bank's risk levels are compatible with the objectives, the financial resources available and the strategies approved for the development of the Bank's activity.

The organisational chart below describes the governance model of Moza Banco which was in force in 2021 and immediately below the functions/competencies of the relevant bodies of said model:



Audit Committee

The Audit Committee is a body subordinate to the Board of Directors and has the following responsibilities:

- ▶ Monitor the process of producing annual and interim financial statements.
- ▶ Oversee the establishment of accounting policies and practices by the Bank;
- ▶ Monitor the integrity of the annual and interim financial statements;
- ▶ Review relevant accounting judgements contained in the financial statements;
- ▶ Ensure that the Executive Committee establishes and maintains an adequate and effective internal controls process to ensure compliance with laws, regulations and internal rules in terms of reporting (financial, operational and risk), as well as efficient and effective operations and asset protection;
- ▶ Approve criteria for the appointment of the external auditor and recommend to the Board of Directors for submission to the General Meeting of Shareholders, the hiring, renewal and disengagement of the external auditor.

- ▶ Supervise the audit of the annual and interim accounts and discuss with the external auditor key matters triggered by the audit process;
- ▶ Ensure that senior management is taking the necessary corrective actions in the face of internal and external audit recommendations;
- ▶ Ensure that the deficiencies pointed out by the supervisory authorities concerning the internal audit function are corrected within the recommended periods, as well as to report to the Board of Directors on the progress of the actions being taken
- ▶ Analyse the periodic reports drawn up by the internal control functions, in matters of conflicts of interest, communication of irregularities and money laundering and financing of terrorism (AML/CTF) and to issue the respective opinion/comment.

Risk Committee

The Risk Committee is responsible for advising the Board of Directors on the effective management of risks, in accordance with the best organisational practices in this field and the requirements of Notice no. 4/GBM/2013 - Risk Management Guidelines, proposing policies, methodologies and procedures for the assessment, management and control of all types of risk to which the Bank is exposed. The Risk Committee is also responsible for:

- ▶ Propose and review the indicators and limits of the RAS (Risk Appetite Statement) of the Bank to the Board of Directors;
- ▶ Ensure the independent review of the ICAAP (Internal Capital Adequacy Assessment Process), reporting to the Board of Directors the respective conclusions.

Credit Committee

This is a body emanating from the Executive Committee of Moza Banco, which is responsible for taking credit decisions or issuing a single order or opinion under the terms defined in the Bank's Credit Regulations.

Management Board

This is a consultative body, whose main function is to support the Executive Committee in assessing the performance of the Bank's activities, seeking to ensure the level of compliance with the defined objectives and to propose the appropriate strategic measures to achieve them. This forum brings together the entire Directive structure of the Bank, promoting a participative and extended management.

Assets and Liabilities Committee's ("ALCO")

Assets and Liabilities Committee's ('ALCO') is a supporting body to the Executive Committee that is responsible for executing the financial policy defined for the Bank, in the form of integrated management of assets and liabilities, ensuring the implementation of actions within the scope of standards and procedures aimed at the effective management of market (foreign exchange, interest rate, repricing) and liquidity risks. Plays an active role in the preparation of pricing policy proposals, based on the timely assessment of internal and external macroeconomic developments, i.e., ensures the identification of measures required to bring the Bank's structural position in terms of liquidity and/or market risks within the defined limits.

Operational Risk Committee

The Operational Risk Committee is responsible for managing operational risk (including compliance, reputational and information technology risk components) as stipulated by Bank of Mozambique through Notice 04/GBM/2013 of 18 September on Risk Management Guidelines. It is a support body to the Executive Committee.

IT Projects and Development Committee

This is a consultative body emanating from the Executive Committee. Its main function is to assess the Bank's IT development projects, aligning IT response capacity to the different IT development requests submitted by the Bank's various Organic Units in each IT cycle. It aims to ensure that the Bank's strategic IT priorities are met, to provide a status report and control of ongoing initiatives in the Information Systems and Technology Department (ISTD), to ensure alignment between initiatives and visibility over the portfolio and to overcome barriers in the logic of day-to-day IT management (prioritisation).

Note: This governance model is currently being revised to make it more robust and properly aligned with best practices and the Bank's current stage of development.

Economic Capital

In order to determine the Bank's Economic Capital based on best practices, the ICAAP (Internal Capital Adequacy Assessment Process) was fully revised through the introduction of new internal methodologies for determining capital requirements to cover Basel II Pillar I and II risks. The main objective of ICAAP is to compare the economic capital needs with the available financial resources, thus gauging the Bank's capacity to absorb risk and also making it possible to identify value creating activities and/or businesses.

The ICAAP review process incorporates among the various process activities:

- ▶ The definition of the ICAAP Governance Model, adjusted to the reality of Moza Banco;
- ▶ The definition of the Taxonomy of risks of Moza Banco through the exhaustive listing of the risks inherent to the Bank's activity;
- ▶ The definition of the materiality of the risks. Without prejudice to future amendments, we present below the list of materially relevant risks for the purposes of the ICAAP (Pillar I - Basel II & Pillar II) and on which the capital requirements for their coverage should be quantified:
- * Accommodates the other material risks considered in the Bank's taxonomy of risks and not quantified using a specific methodology for calculating the respective capital requirements.
- ▶ Definition of base and adverse scenarios, the latter being characterised by a deterioration of macroeconomic indicators (increased inflationary pressure, increase in key market rates, sharp depreciation of the Metical, a sharp decrease in GDP, among others). It is a hypothetical scenario that is created in order to assess the Bank's soundness and resilience to an unfavourable economic environment.



3.1. Credit Risk

Credit risk is the possibility of negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the institution. Credit risk exists mainly in credit exposures, credit lines, financial assets, guarantees and derivatives. This risk arises from the Bank's relationship with individuals, companies, financial institutions, and sovereigns.

Although exposure to credit risk arises through loans and advances, the Bank may be exposed to other credit risks arising from commitments, contingent liabilities and other risks that arise during its financial intermediation activities. These risks are managed in a similar way to loans and advances to customers and are subject to the same approval and control processes.

The Bank has policies, procedures and processes, based on which it controls and monitors this risk.

In 2021, the following achievements/activities developed within the scope of strengthening the practices of assessment, monitoring and control of credit risk, in the various segments of the portfolio, should be highlighted:

Covid-19 Pandemic

The year 2021 continued to be marked by various challenges inherent to the Covid-19 pandemic, translating into increased demands at the level of risk management. The focus on the orientation of activities to minimise the internal and economic impacts of the pandemic was accompanied by regulatory requirements on this matter, with emphasis on the efforts made, arising from the guidelines of regulators and supervisors (Bank of Mozambique in Mozambique, EBA in the European Union, among others), in order to adjust the internal processes to the pandemic response measures.

In this context, we highlight the support policies presented by the Bank of Mozambique, which took the form of not requiring the establishment of additional provisions by credit institutions and financial companies in cases of renegotiation of the terms and conditions of loans, prior to their maturity, and by the European Banking Authority (EBA), in the opening and subsequent reopening of credit moratoria on loan payments applied in this pandemic context, in recognition of the challenges emerging from it.

It should also be noted that in response to the constraints arising from the Covid-19 pandemic, the Bank has implemented, since 2020, several measures to protect not only the financial situation of households and companies in general, but also the health of its customers, employees and stakeholders.

In order to address with the necessary speed the issues related to the Covid-19 pandemic, and so that the Bank could monitor the evolution of the situation and act in a timely manner in taking appropriate measures with the agility that the situation required and still requires, two Working Groups (the Operational Scope Working Group and the Financial Scope Working Group) were created, with distinct, though complementary, objectives and monitoring levels, which, in addition to direct articulation with the Executive Committee, relate to the various stakeholders.

These working groups were set up within the scope and in line with the groups created within the Mozambican Banking Association - AMB, in which various elements of the main banks in the Mozambican financial system participate.

Operational measures

From a financial perspective, the Bank kept in place a set of measures that were implemented in 2020, with a view to ensuring sound liquidity management, as well as protecting the financial situation of households and businesses, highlighting the following achievements:

- Maintenance of the guidelines defined for the restructuring of loans, in order to guide and support the Credit and Commercial Departments in the presentation of proposals for decision, within the delegated powers and, currently in force, with moratoria of a maximum term of 6 months (of principal or principal and interest) in line with regulatory and private initiative guidelines (until June 2021);
- Maintenance of mechanisms to accompany and monitor customers in sectors with direct and potential impact, adopting a position in line with customer needs. Instruments were created for weekly monitoring of restructuring requests and the situation of borrowers with the Executive Committee, and they are also assessed and discussed in a Working Group that accompanies and analyses the individual situation of the main customers, especially those who present restructuring needs within the scope of Covid-19;
- Weekly assessment of the impacts of restructured operations on the Bank's Regulatory Capital, in order to allow greater and better weekly monitoring by the Executive Committee and to take timely measures leading to the protection of Own Funds.

Under the regulatory moratorium and private initiative regimes

The Bank acted in the interests of its customers, through access to measures of temporary suspension of loan payments (capital and/or interest), to eligible families and companies in the course of initiatives adopted by credit institutions.

As at 31 December 2021, more than 400 operations were covered under those conditions, totalling, in terms of liabilities, around MZN 6.1 billion, which represent approximately 24.9% of the Bank's total loan portfolio.

The exposure for the sectors most affected by the pandemic remained at about 16% of the Bank's total loan portfolio, while the portfolio with the potential to be affected showed a reduction to about 41% of the total loan portfolio, down from about 43% in 2020.

In light of the above temporary measures, the Bank continued to regularly follow and monitor the evolution of customers who joined these moratorium regimes, in the fortnightly Meetings of the Credit Monitoring Group (which has been operating since 2017), in order to identify them in advance:

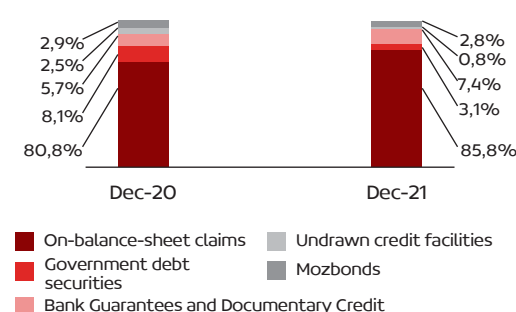
- Customers who, not being able to comply with the debt service after the end of the moratorium period, may need to: extend the initial moratorium period, or carry out a possible restructuring, or obtain other forms of support, thus preventing, from a prudent perspective, the entry of customers into default; and
- Those clients who show signs of resilience, as well as of temporary incapacity, analysing the impacts of the pandemic on the classification of NPLs.

In these terms, the Bank maintained the internal control process that it ensures, through monitoring and follow-up of customers who present difficulties in paying their instalments on the agreed dates, aiming to have a clear notion and adequate sensitivity on the potential risk associated to each customer, and thus reflect the same, if applicable, in the Bank's financial situation and assets.

For the purpose of analysing the impact of the Covid-19 pandemic on the Bank's financial statements, the 'Monitoring Report on Restructured Credit within the Framework of Covid-19' is submitted to the Executive Committee on a weekly basis.

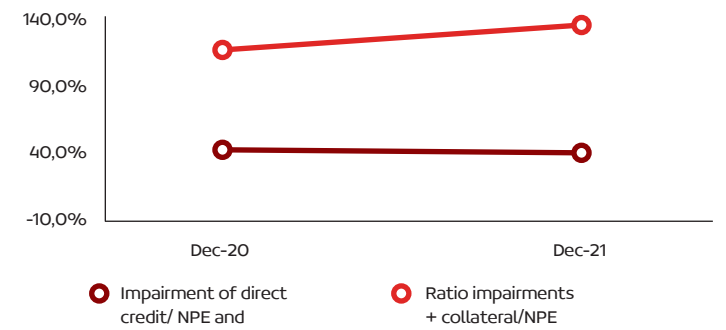
Distribution of Exposures Subject to Impairment

Moza Banco's credit exposures subject to impairment, are distributed as shown in the chart below in accordance with the internally approved strategies for the treatment of each of the items that make up the Bank's credit portfolio:



Key Indicators of Credit Risk

The table below shows the quarterly evolution of the main indicators of credit risk and coverage of credit exposure between December 2021 and 2020:



Maximum exposure to credit risk by class of financial assets

For financial assets recognised in the financial position, the exposure to credit risk is equal to the carrying amount. For guarantees, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the guarantee were to be called. For credit commitments and other related commitments and which are irrevocable during the life cycle of the respective facilities, the maximum exposure to credit risk is the value of the undrawn facility.

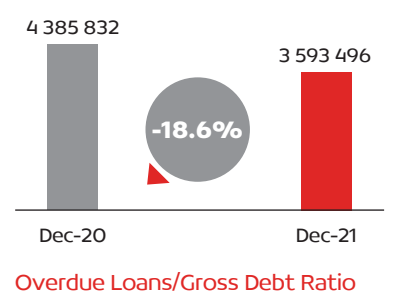
The table below shows the maximum exposure as at 31 December 2021, in respect of credit risk in the financial position, and off-balance sheet financial instruments, without taking into account the value of collateral held. The Bank only holds collateral for Customer loans (Loans and advances to customers, Guarantees provided and Letters of credit) which are mainly mortgages on properties, pledges on Deposits (demand and term) and pledges of equipment:

	2021	2020
Exposure to credit risk related to balance sheet items		
Cash and Deposits at the Central Bank	2 250 359	1 404 996
Claims on credit institutions	182 543	747 639
Investments in credit institutions	8 344 160	10 873 091
Financial Assets	6 744 716	4 220 982
Loans and advances to customers	22 070 821	24 410 709
Other assets	740 848	290 044
	40 333 447	41 947 461
Exposure to credit risk related to off-balance sheet items		
Guarantees	5 580 842	5 463 013
Letters of Credit	212 091	302 281
	5 792 933	5 765 294
	46 126 380	47 712 755

Credit Quality:

Moza Banco implemented in 2021 an inclusive and very dynamic process of monitoring the loan portfolio, including the component of overdue loans, in order to improve the quality of the Bank's loan portfolio, as well as to minimise the adverse effects resulting from the unfavourable macroeconomic environment in which the Mozambican market finds itself. The Bank increased the volume of credit impairments aimed at safeguarding the potential for default, as well as performing the write-off of non-performing loans and eligible for write-off, in accordance with Notice 16/GBM/2013 of 31 December, of Bank of Mozambique.

This stance, despite penalising the Bank's profitability, due to the significant increase in impairments, contributed to strengthening the Bank's balance sheet and improving the main credit indicators, as shown in the graph below:



At Moza Banco, the loan granting process is defined by several internal regulations, namely the General Credit Regulation, the Bank's policies, standards and procedures approved by the Board of Directors, which are updated whenever necessary. The regulations in force define the granting criteria, as well as the composition, competences and functioning of the various internal bodies with responsibilities at credit granting level. In the assessment process, in addition to the macroeconomic environment, internally defined strategy and objectives are taken into account, considering the various types of credit products, concentration levels, global exposure/ indebtedness in Moza Banco and in the Banking System, with the aim of mitigating credit risk.

At the level of the credit operation, the procedures described in the General Credit Regulations are considered, with a view to identifying the risk profile of the customer and of the operation, among the elements to be analysed, there are 6 (six) basic variables that are subject to analysis in the different decision-making levels competent for the approval of credit operations, namely:

- The maximum exposure limit;
- The risk of the operation;
- The foreseeable capacity to repay the loan;
- The maximum term of the operation;
- The profitability of the operation;
- The minimum guarantees to cover the credit risk

Four credit decision-making bodies are defined with powers to grant credit and must respect the accumulated maximum limits established for each decision-making body.

In the process of monitoring the bank's levels of exposure to the different risks inherent to its activity, periodic reports are prepared with the respective risk levels and this information is analysed by the:

- Risk Control Committee;
- Risk Assessment Committee, in accordance with the periodicity defined for holding the respective meetings

Minutes are drawn up of these meetings, which identify the aspects addressed, vulnerabilities and the respective recommendations, with a view to improving the Bank's risk management and internal control environment.

The aforementioned reports always seek to be timely, accurate and informative and are distributed to the Bank's different management bodies, which ensure the implementation of improvement or risk mitigation actions, if necessary.

In addition, the evolution of the portfolio is monitored on an ongoing basis, with particular focus on analysis of Credit Concentration (customer/group, product, sector of activity, region, and currency), Correlated Credit (shareholders, subsidiaries and intra-group companies and employees) and Large Risks (Loans to Customers/groups with exposure equal to or greater than 10% of the Bank's Core Own Funds), Defaulting Loans (NPL/NPE) and the evolution of respective impairments.

The table below, shows the quality of the Bank's loan portfolio from the point of view of the stages in which the operations/clients are, taking into account the rules adopted by the Bank for their classification, under IFRS9:

	Stage 1	Stage 2	Stage 3	Stage 4
2021				
Cash and Deposits at the Central Bank	2 250 359	-	-	2 250 359
Claims on credit institutions	182 543	-	-	182 543
Investments in credit institutions	8 344 160	-	-	8 344 160
Financial Assets	6 744 716	-	-	6 744 716
Loans and advances to customers	13 451 179	4 907 745	3 711 896	22 070 821
Other assets	856 148	-	-	856 148
	31 829 106	4 907 745	3 711 896	40 448 747
2020				
Cash and Deposits at the Central Bank	1 404 996	-	-	1 404 996
Claims on credit institutions	747 639	-	-	747 639
Investments in credit institutions	10 873 091	-	-	10 873 091
Financial Assets	4 220 982	-	-	4 220 982
Loans and advances to customers	9 707 600	9 550 646	5 152 463	24 410 709
Other assets	384 766	-	-	384 766
	27 339 074	9 550 646	5 152 463	42 042 183

In relation to loans and advances to customers, the Bank's credit quality is presented as follows:

	Gross Amount	Impairment	Net Exposure
2021			
Performing loans	16 365 232	(388 828)	15 976 404
Overdue credit	8 361 083	(2 266 666)	6 094 417
Exposure expired	3 705 686	-	3 705 686
Exposure with impairment index	4 655 397	-	4 655 397
	24 726 315	(2 655 494)	22 070 821
2020			
Performing loans	18 938 836	(416 889)	18 521 947
Overdue credit	10 001 640	(4 112 878)	5 888 762
Exposure expired	4 476 837	-	4 476 837
Exposure with impairment index	5 524 803	-	5 524 803
	28 940 476	(4 529 767)	24 410 709

Overdue loans include all customer exposures with overdue instalments as well as the amounts of overdue instalments.

Expected credit loss

The following table shows the movement of credit impairment over the year:

2021	Stage 1	Stage 2	Stage 3	2021
Balance as at 01 January 2021	151 761	462 657	3 915 350	4 529 768
Shifts into Stage 1	-	39 506	(611)	38 895
Shifts into Stage 2	11 040	-	(72 504)	(61 464)
Shifts into Stage 3	328	38 746	-	39 074
Reinforcements	50 292	171 594	5 648 944	5 870 830
New entries	149 758	-	-	149 758
Reductions	(70 740)	(336 197)	(2 970 928)	(3 377 865)
Write-offs	-	-	(4 533 502)	(4 533 502)
Balance as at 31 December 2021	292 439	376 306	1 986 749	2 655 494
2020	Estágio 1	Estágio 2	Estágio 3	2021
Balance as at 01 January 2020	259 727	569 094	3 892 361	4 721 182
Shifts into Stage 1	-	189 754	148 481	338 235
Shifts into Stage 2	(6 496)	-	(195 033)	(201 529)
Shifts into Stage 3	(12 992)	(133 069)	-	(146 061)
Reinforcements	12 329	28 425	609 582	650 336
New entries	59 110	-	-	59 110
Reductions	(159 917)	(191 547)	(437 217)	(788 681)
Write-offs	-	-	(102 824)	(102 824)
Balance as at 31 December 2020	151 761	462 657	3 915 350	4 529 768

The following table shows the movement in impairments of loan commitments and financial guarantee contracts during the year:

THE MOVEMENTS OF IMPAIRMENT OF GUARANTEES AND COMMITMENTS ASSUMED

	2021	2020
Balance as at 01 January 2021	25 596	41 884
Reinforcement	70 804	38 703
Reversal	(31 049)	(54 991)
Regularization	1 393	-
Balance as at 31 December 2021	66 744	25 596

Collateral and other credit guarantees

The guarantees or collateral aim to ensure that, in the event of non-payment of the loan by borrowers, credit institutions can still obtain repayment of the loan through foreclosure or appropriation of the collateral or guarantee, with the intention of subsequently transforming it into liquidity, through divestiture, sale or other applicable options. A collateralised loan is a transaction in which the Bank has a credit exposure or potential credit exposure, and that credit exposure or potential credit exposure is fully or partially covered by

collateral offered by the counterparty, or by a third party acting on behalf of the counterparty. Listed below are the types of collateral eligible, for the coverage of credit risk:

- ▶ Pledge of deposits (on demand and term) with the Bank;
- ▶ Guarantees given by the State
- ▶ Guarantees provided by Other Credit Institutions;
- ▶ Mortgages on property (housing, industrial and/or commercial properties, vehicles, etc.);
- ▶ Pledge of Equipment;
- ▶ Shareholders' and/or Third Parties' guarantee and/or pledge.

The analysis of credit exposure against collateral and other credit guarantees in favour of the Bank, is shown in the following table:

	Maximum exposure to credit risk	Deposits	Letters o credit/bank guarantees	Mortgages	Others	Net guarantees	Net exposure
2021							
Cash and Deposits at the Central Bank	2 250 359	-	-	-	-	-	2 250 359
Claims on credit institutions	182 543	-	-	-	-	-	182 543
Investments in credit institutions	8 344 160	-	-	-	-	-	8 344 160
Financial Assets	6 744 716	-	-	-	-	-	6 744 716
Loans and advances to customers	-	-	-	-	-	-	-
Large companies	8 835 884	38 604	660 000	1 448 753	2 318 006	4 465 363	4 370 521
Small Companies	8 999 141	338 846	221 514	4 048 200	-	4 608 560	4 390 581
Private	4 228 505	126 994	124	145 682	-	272 800	3 955 705
Others	7 291	-	-	-	-	-	7 291
Other Assets	740 848	-	-	-	-	-	740 848
	40 333 447	504 444	881 638	5 642 635	2 318 006	9 346 723	30 986 724
2020							
Cash and Deposits at the Central Bank	1 404 996	-	-	-	-	-	1 404 996
Claims on credit institutions	747 639	-	-	-	-	-	747 639
Investments in credit institutions	10 873 091	-	-	-	-	-	10 873 091
Financial Assets	4 220 982	-	-	-	-	-	4 220 982
Loans and advances to customers	-	-	-	-	-	-	-
Large companies	11 229 527	109 244	-	2 009 593	973 361	3 092 198	8 137 329
Small Companies	9 255 661	564 234	65 000	6 093 712	303 290	7 026 236	2 229 425
Private	3 914 047	275 765	-	1 351 098	22 894	1 649 757	2 264 290
Others	11 474	-	-	-	5 042	5 042	6 432
Other Assets	290 044	-	-	-	-	-	290 044
	41 947 461	949 243	65 000	9 454 403	1 304 587	11 773 233	30 174 228

The table below shows the carrying values and value of identifiable guarantees (mainly property mortgages) in favour of the Bank to cover the credit risk inherent in the loans and advances portfolio. For each loan, the value of property mortgaged is limited to the nominal value against which it is held:

	2021			2020		
	Carrying value	Mortgage of property	PA Collareral	Carrying value	Mortgage of property	PA Collareral
Stage 01 and 02	19 027 669	3 715 812	481 299	19 866 958	6 600 214	915 565
Stage 03	5 698 646	1 926 823	23 146	9 067 813	2 854 189	33 678
	24 726 315	5 642 635	504 445	28 934 771	9 454 403	949 243

Assets obtained by taking possession of collateral

Details of the financial and non-financial assets obtained by the Bank during the year by way of taking possession of collateral held as security on loans and advances at year end are given below.

	2021	2020
Properties	1 205 001	951 878
	1 205 001	951 878

Significant increase in credit risk

In determining whether the risk of default of a financial instrument has increased significantly since initial recognition, the Bank considers that there is reasonable and supportable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment, including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- ▶ The probability of default (PD) remaining over the useful life at the reporting date; and
- ▶ The probability of default over the remaining life for that estimated period at the time of initial recognition of the exposure (adjusted, where appropriate, for changes in prepayment expectations).

The following criteria are used to determine whether there has been a significant increase in credit risk:

- ▶ Delays or late payment of instalments in excess of 30 days;
- ▶ Qualitative indicators.

Credit risk rating

The Bank allocates each exposure to a credit rating based on a variety of data that is determined to be predictive of default risk and by applying qualitative credit analysis. These ratings vary depending on the nature of the exposure and the type of borrower.

Each exposure is assigned a credit risk rating at initial recognition and subsequently subject to ongoing monitoring, which may result in the transfer of an exposure to a different credit risk rating. Monitoring typically involves the use of the following data:

▶ Corporate Exposures

Information obtained during the periodic review of client files - e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are the following: gross profit margins, financial leverage ratios, debt service coverage, covenant compliance, quality of management, changes in senior management

Data from credit reference agencies, press articles, changes in external credit ratings

Current and expected significant changes in the borrower's political, regulatory, and technological environment or in its business activities.

▶ Retail Exposures

Internally collected data on customer behaviour - e.g., use of credit card facilities;

Affordability metrics;

External data from credit reference agencies.

▶ All Exposures

Payment record - includes arrears status, as well as a number of variables on payment ratios;

Use of the granted limit

Requests and granting of forbearance

Existing and anticipated changes in business, financial and economic conditions.

ECL Measurement

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- Financial assets that are not considered credit impaired as at the reporting date: as the difference between the gross carrying amount and present value of estimated future cash flows;
- Financial assets that are credit impaired as at the balance sheet date: as the difference between the gross carrying amount and present value of estimated future cash flows;
- Unrealised loan commitments and financial guarantee contracts: as the present value of the difference between the contractual value of cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or if a financial asset is replaced by a new one due to financial difficulties of the borrower, an assessment is made as to whether the financial asset should be derecognised, and ECL is measured as follows:

- If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows of the modified financial asset are included in the loss cash flow calculation for the existing asset.
- If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the ultimate cash flow from the existing financial asset at the date of derecognition.

Financial assets that are in the stage 3

At each financial reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI (fair value through other comprehensive income) and finance lease receivables are receivables referred to as stage 3 financial assets. A financial asset is in stage 3 when there is one or more events that lead to a negative impact on the estimated future cash flows of the financial asset.

Evidence that a financial asset is at stage 3 includes the following observable data:

- Significant financial difficulty of the debtor or issuer;
- Breach of contract, such as an event of default or maturity;
- High probability of bankruptcy, financial restructuring by the client;
- The loss of a security due to financial difficulties

A loan more than 90 days past due is considered a stage 3 credit even if the regulator's definition of default is different.

In making an assessment of whether an investment in sovereign debt can be considered a stage 3 credit, the Bank considers the following factors:

- Assessment of the credit quality of the market, reflected in the yields of the securities.
- Assessment of the credibility of the Institution according to Rating Agencies.
- The country's ability to access capital markets for new debt issues.
- The probability of debt restructuring resulting in a voluntary or mandatory debt loss or forgiveness.
- The international support mechanisms in place to provide the necessary support as a last resort for that country, as well as the intention, reflected in public statements, of Governments and Institutions to use those mechanisms. This includes a thorough assessment of those mechanisms and, irrespective of political intention, whether the capacity exists to meet the required criteria.

Write-off

Loans and debt securities are taken to write-off (partially or fully) when there is no expectation of recovering a financial asset in whole or in part. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that would generate sufficient cash flow to repay the amounts subject to write-off. This assessment is performed at the individual asset level.

Amounts recovered from transactions previously written off are included in 'impairment losses on financial instruments' in the income statement, with a positive effect (reversal).

Financial assets that have been written off are still subject to enforcement activities in order to follow the Bank's procedures for the recovery of amounts due.

Financial guarantee contracts

The Bank assesses whether a financial collateral contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers in making this assessment are:

- Whether the collateral/guarantee is implicitly part of the contractual terms of the debt instrument;
- Whether the guarantee is required by the laws and regulations governing the contractual terms of the debt instrument;
- Whether the guarantee is entered into at the same time and in contemplation of the debt instrument; and
- If the guarantee is given by the company within the borrowing group.

Objective evidence of impairment

At each reporting date, the Bank assesses whether there is objective evidence that assets not held at fair value through profit or loss are impaired. A financial asset or a group of financial assets is considered to be impaired when objective evidence shows that a loss event has occurred after the recognition of the asset (s) and that the loss event had an impact on the future cash flows of the asset (s) that could be reliably estimated.

Additionally, a loan and advance that is 90 or more days past due may also be considered impaired.

Below are the indicators that determine whether or not a financial asset is in a condition to be considered impaired:

- significant financial difficulty of the borrower or issuer;
- default of the borrower;
- indicators of borrower bankruptcy;
- the loss of a security due to financial difficulties.

Financial assets that are impaired

The Bank assesses periodically whether there is objective evidence that a financial asset or portfolio of financial assets carried at amortised 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 events that has occurred after initial recognition, after the date of the first entry in the financial position and that loss event has an impact on the estimated future cash flows of the financial asset or portfolio of financial assets that can be reliably estimated.

The Bank's credit policy defines default by a particular customer when the following events occur:

- The Bank considers that the borrower is unlikely to repay its credit obligation in full, without recourse to exercise the option on the collateral;
- If the borrower defaults on any of the conditions of the contract, such as meeting certain financial covenants.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant.

For loans and advances and held-to-maturity assets, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of the future cash flows, discounted at the asset's original 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.

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

Impairment Calculation of the Loan Portfolio

Currently most entities subject to the supervision of the Central Bank apply International Financial Reporting Standard 9 'Financial Instruments' (IFRS 9) which in 2018 introduced a number of significant changes to the methodology and process for calculating impairments, establishing, among others, the principles for classification and measurement of the loan portfolio and quantification of expected credit losses.

For the calculation of impairment losses, the portfolio is segregated according to segment (Retail, Corporate, Institutional and Private). For each segment a weighting is attributed according to the PDs of 12 months, Lifetime PD, LGD of 12 months and Lifetime LGD, which were constituted on the basis of a history of the last 5 years.

The portfolio is also segregated in terms of default levels according to the degradation below:

- **Stage 01** - All loans between 0 to 30 days in arrears;
- **Stage 02** - Overdue loans (from 31 to 90 days overdue);
- **Stage 03** - Loans more than 90 days overdue - Unpaid loans.

Additionally, the 'contamination' effect is taken into consideration as from Stage 2, i.e., the credits are contaminated by the more severe classes of the Customer, implying the gradual evolution of the less severe credits to the Stage of the Customer immediately afterwards.

Restructured credits are all placed in Stage 02 and if these verify 9 months of uninterrupted payment, they are treated as cured and placed in Stage 01.

For the calculation of total exposures, the exposures of on- and off-balance sheet capital and the cash flows expected to be received are added together. A CCF - Credit Conversion Factor is applied to the total off-balance sheet exposure in order to obtain the EAD - Exposure at Default.

To calculate the Expected Credit Loss (ECL) in each period over the life of the credit, the Loss Given Default (LGD) and Probability of Default (PD) are combined with the Exposure at Default (EAD). Therefore, an estimate of the expected balance of an operation at the date of default (EAD) is required in the calculation of Expected Credit Losses (ECL).

Collateral

For the calculation of impairments, collateral is also considered, whose values, in the case of local government guarantees and financing in local currency are weighted at a rate of 100%, as well as when it comes to term deposits in the same currency and without maturity mismatch, the weighting is also 100%. In situations where mortgages are received on residential property, a Haircut of 20% is applied on the market value of the property, 25% for commercial building mortgages, 30% for factory or industrial building mortgages and 50% for equipment.

Macroeconomic Scenarios

IFRS 9 requires the consideration of reasonable and documented projections of future events and economic conditions, at the reporting date of the Financial Statements, in the calculation of expected credit losses. This forward-looking macroeconomic information should allow the Bank's impairments to be adjusted according to the economic moment that the Bank is experiencing, which hence results in scenarios, being: 'Base' with a weighting of 47%, 'Optimistic' with a weighting of 34% and 'Pessimistic' with a weighting of 19%.

Impairment is an estimate weighted by the probability of credit losses. A credit loss is the difference between the cash flows that are due under the contract and the cash flows that the Bank expects to receive, discounted at the original effective interest rate. Since ECL takes into consideration the amount and timing of payments, a credit loss is created even when the Bank expects to receive the full amount, but in a period later than contractually agreed. In this case the impairment will be the result of the average of the combination of the three (03) scenarios resulting from economic projections.

Incorporation of forward-looking information

The Bank incorporates forward-looking information both in assessing the credit risk of an instrument that has increased significantly since its initial recognition, as well as in measuring expected credit loss (ECL).

The Bank formulates three economic scenarios: a base case scenario, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, an optimistic and a pessimistic one. The expected credit loss is aligned with the information used by the Bank for other purposes, such as strategic planning and budgeting. External information considered includes economic data and forecasts published by government agencies and monetary authorities in the countries where the Bank operates and other supranational organisations.

The scenario probability weightings applied in measuring expected credit loss (ECL) are as follows.

	2021			2020		
	High	Medium	Low	High	Medium	Low
Probability of the scenarios	19%	47%	34%	20%	60%	20%

Periodically, the Bank conducts stress tests of more extreme shocks to calibrate the representative upward and downward scenarios. A comprehensive review is conducted at least annually on the design of the scenarios.

Impairment of the Loan Portfolio

To calculate the impairments, the Country Rating Index is taken into consideration according to Moody's:

- ▶ PD's are estimated using S&P Global Corporate / Sovereign cumulative default;
- ▶ PD's are adjusted using the macroeconomic model used for the Corporate Performing loan portfolio;
- ▶ LGD's applied are 45% in line with the Basel LGD's applied to the sovereign portfolios;
- ▶ the loss is expected to occur in the middle of the default period and is discounted using the Effective Interest Rate

Derecognition

As a rule, the Bank recognises an impairment for losses incurred inherent to the loan portfolio. After identifying a loan as being impaired and subject to an impairment discount, there comes a stage when it is concluded that there is no realistic prospect of recovery.

Derecognition will exist when all or part of the debt is considered to be uncollectible. The periodicity and extent of write-offs may involve some subjective judgement. However, write-off will always be preceded by a specific event, such as the commencement of insolvency proceedings or other formal recovery action, that makes it possible to establish whether a part or all of the debt is beyond realistic prospects of recovery.

These assets are written off only when all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts that have been written off are recognised as a deduction from the cost of the loan impairment in the income statement.

The analysis of impaired loans and advances to Customers is presented as follows:

2021	Carrying Value	Credit Impairment	Net value
Retail	5 179 008	532 836	4 646 172
Civil Engineering	1 598 481	409 028	1 189 453
Energy	113 202	563	112 639
Turism	609 907	25 012	584 895
Manufacturing Industry	2 796 394	270 644	2 525 750
Privates	4 765 970	536 789	4 229 181
Services	7 318 740	544 270	6 774 470
Transport and Communication	1 492 272	244 566	1 247 706
Agriculture and Fisheries	507 331	59 013	448 318
Others	345 010	32 773	312 237
	24 726 315	2 655 494	22 070 821

2020			
Retail	5 452 034	778 332	4 673 702
Civil Engineering	1 535 732	268 418	1 267 314
Energy	198 254	422	197 832
Turism	666 362	77 568	588 794
Manufacturing Industry	3 666 365	425 910	3 240 455
Privates	5 316 935	1 400 587	3 916 348
Services	9 821 717	1 241 341	8 580 376
Transport and Communication	1 627 697	210 084	1 417 613
Agriculture and Fisheries	522 517	109 269	413 248
Others	132 864	17 837	115 027
	28 940 477	4 529 768	24 410 709

Concentration of credit risk

Concentration of credit risk exists when a number of counterparties are linked to similar activities or have similar economic characteristics, and where the same adversity may jeopardise their ability to meet contractual obligations, however, concentration of credit risk is not proportionally related to credit loss. Some segments of the Bank's portfolio have and should have proportionally higher credit rates in relation to exposure than others.

The analysis of the concentration of the Bank's credit risk by industry is presented as follows:

2021	Cash and Deposits at the Central Bank	Claims on credit institutions	Investments in credit institutions	Financial Assets	Loans and advances to customers	Other Assets	Total
Governmental	-	-	-	6 397 227	306 100	-	6 703 327
Insurances	-	-	-	23 263	-	-	23 263
Financial	2 250 359	182 543	8 344 160	110 858	321 085	-	11 209 005
Retail	-	-	-	-	4 646 172	-	4 646 172
Civil Engineering	-	-	-	-	1 189 453	-	1 189 453
Energy	-	-	-	-	112 638	-	112 638
Turism	-	-	-	-	584 894	-	584 894
Manufacturing Industry	-	-	-	-	2 525 750	-	2 525 750
Privates	-	-	-	-	4 229 181	-	4 229 181
Services	-	-	-	-	6 468 370	-	6 468 370
Transport and Communication	-	-	-	213 368	1 247 706	-	1 461 074
Agriculture and Fisheries	-	-	-	-	352 889	-	352 889
Others	-	-	-	-	86 583	740 848	827 431
	2 250 359	182 543	8 344 160	6 744 716	22 070 821	740 848	40 333 447

2020							
Governmental	-	-	-	3 892 550	415 514	-	4 308 064
Insurances	-	-	-	23 263	37	-	23 300
Financial	1 404 996	747 639	10 873 091	54 294	30 798	-	13 110 818
Retail	-	-	-	-	4 673 702	-	4 673 702
Civil Engineering	-	-	-	-	1 267 314	-	1 267 314
Energy	-	-	-	-	197 832	-	197 832
Turism	-	-	-	-	588 794	-	588 794
Manufacturing Industry	-	-	-	-	3 240 455	-	3 240 455
Privates	-	-	-	-	3 916 348	-	3 916 348
Services	-	-	-	-	8 164 862	-	8 164 862
Transport and Communication	-	-	-	250 875	1 417 613	-	1 668 488
Agriculture and Fisheries	-	-	-	-	413 247	-	413 247
Others	-	-	-	-	84 193	290 044	374 237
	1 404 996	747 639	10 873 091	4 220 982	24 410 709	290 044	41 947 461

3.2. Liquidity Risk

Liquidity risk is the probability of an institution facing difficulties in meeting its obligations as they fall due or in refinancing the assets held on its balance sheet without incurring significant costs or losses (funding liquidity risk). When the market conditions in which the institution operates do not allow it to sell certain assets at market prices, but only below these prices, this is called market liquidity risk.

The liquidity risk management policy and strategy is defined at the level of the ALCO Committee, implemented by the Investment and International Banking Department (IIBD) and controlled by the Risk Management Department (RMD), based on the procedures recommended by the guidelines defined by the Central Bank (Notice no. 4/GBM/2013).

The Asset and Liability Management Committee (ALCO) is a delegated body of the Executive Committee (EC) for the execution of the financial policy defined for the Bank, responsible for the ALM (Asset-Liability Management) process, ensuring the implementation of actions under standards and procedures aimed at the effective management of market (foreign exchange, interest rate, repricing) and liquidity risks. He plays an active role in the preparation of pricing policy proposals, based on the timely assessment of internal and external macroeconomic developments.

In short, the Bank's liquidity management process is carried out internally and monitored by a team from the Investment and International Banking Department in strict coordination with the Executive Committee, which has the following responsibilities:

- ▶ Ensure the existence of sufficient liquidity to finance the Bank's activity, without prejudice to compliance with all regulatory limits, namely minimum reserve requirements in accordance with current regulations;
- ▶ Ensure the maintenance of minimum credit balances in the various correspondents required to meet the obligations of the Bank and its customers;
- ▶ Ensure the maintenance of a sufficient volume of securities (Treasury Bills and Bonds) for collateralisation of Interbank Money Market (IMM) financing operations;
- ▶ Ensure the diversification of the Bank's asset portfolio to mitigate liquidity risk and that can be used for Balance Sheet financing operations;
- ▶ Maintain overall transformation ratios and in local currency that promote the stability of the liquidity position;
- ▶ Promote that customer deposits are at all times the Bank's primary source of funding and that loans and advances to customers are the main line of investment;
- ▶ Maintain a range of savings and investment products that enables all segments to obtain diversified sources of funding.

Monitoring is carried out based on the principles, limits and metrics defined in the Liquidity Risk Management model, which presupposes early warning indicators, measurement and assessment instruments (IIBD liquidity reports), on a daily, weekly and monthly basis.

This process is complemented with the execution of liquidity stress tests by the Risk Management Department, on a monthly, half-yearly and annual basis.

The results of this process are communicated to the Bank's Executive Committee through ALCO, on a monthly basis, or whenever relevant changes occur, and to the Risk Committee, which emanates from the Board of Directors, on a quarterly basis.

Contractual maturities of undiscounted liabilities

The table below summarises the maturity profile of the Bank's financial liabilities as at 31 December based on contractual undiscounted cash flows:

2021				No maturity term	Total
Cash and Deposits at the Central Bank	855 794	-	1 394 565	-	2 250 359
Claims on credit institutions	182 543	-	-	-	182 543
Investments in credit institutions	8 286 685	57 475	-	-	8 344 160
Financial Assets	1 823 828	3 084 057	1 800 914	35 918	6 744 716
Loans and advances to customers	2 233 441	1 590 784	18 246 596	-	22 070 821
Other assets	-	-	-	856 148	856 148
Total non-discounted assets	13 382 290	4 732 316	21 442 075	892 066	40 448 747

Financial Liability					
Funds from credit institutions	8 650	-	-	10 452	19 102
Deposits and current accounts	23 980 484	8 772 205	451	-	32 753 140
Resources allocated	-	-	354 281	-	354 281
Other liabilities	1 851	30 514	1 922 213	1 032 681	2 987 259
Debenture loans	-	-	487 674	-	487 674
Total non-discounted liabilities	23 990 985	8 802 719	2 764 619	1 043 133	36 601 455

Liquidity gap	-10 608 695	-4 070 403	18 677 456	-151 067	3 847 292
Cumulative liquidity gap	-10 608 695	-14 679 098	3 998 358	3 847 292	

2020	On demand	Under 3 months	3 to 12 months	More than 1 year	More than 5 years	Total
Cash and Deposits at the Central Bank	1 404 996	-	-	-	-	1 404 996
Claims on credit institutions	-	747 639	-	-	-	747 639
Investments in credit institutions	-	10 575 427	297 664	-	-	10 873 091
Financial Assets	-	2 289 499	260 771	1 670 712	-	4 220 982
Loans and advances to customers	-	7 317 990	3 344 232	13 748 487	-	24 410 709
Other assets	290 044	-	-	-	-	290 044
Total non-discounted assets	1 695 040	20 930 555	3 902 667	15 419 199	-	41 947 461

Financial Liability					
Funds from credit institutions	23 432	3 882	-	-	27 314
Deposits and current accounts	12 924 078	15 002 952	7 216 457	6 691	35 150 178
Resources allocated	-	311 925	-	-	311 925
Other liabilities	-	3 990 781	-	-	3 990 781
Debenture loans	-	-	-	118 639	118 639
Total non-discounted liabilities	12 947 510	19 309 540	7 216 457	125 330	- 39 598 837

Liquidity gap	-11 252 470	1 621 015	-3 313 790	15 293 869	-	2 348 624
Cumulative liquidity gap	-11 252 470	-9 631 455	-12 945 245	2 348 624	2 348 624	

For all amounts relating to 1 year and over 1 year, they are expected to be recovered or settled more than 12 months after the Financial Position date.

3.3. Market Risk

Market risk can be defined as the potential loss resulting from changes in the fair value of future cash flows of financial instruments due to fluctuations in market variables of the asset or even exogenous factors that influence market prices. Examples of such risk factors are: risks related to changes in exchange rates, interest rates, bond and share prices, commodity prices, among others.

3.3.1 Interest Rate Risk

Interest Rate Risk is the possibility of negative impacts on results or capital due to adverse movements in interest rates, caused by maturity mismatches or interest rate reset periods, the absence of perfect correlation between the rates on lending and borrowing operations in the different instruments, or the existence of embedded options in balance sheet financial instruments or off-balance sheet items.

The Bank monitors its exposure to the effects of fluctuations in market interest rates on the risk of its financial position and cash flows. Net interest income may increase as a result of such fluctuations but may also decrease or create losses in the event of unanticipated movements.

Financial instruments with interest rate risk comprise cash and cash equivalents balances and deposits with other credit institutions, loans and advances to customers, customer deposits and current accounts and funds from other credit institutions.

The interest rate risk management policy and strategy are defined by ALCO, implemented by the Investment and International Banking Department and controlled by the Risk Management Department.

The following table shows the Bank's financial instruments sensitive to interest rate by maturity:

2021	Less than 3 months	3 to 12 months	> 1 year	Shall bear no interest	Total
Financial asset					
Cash and Deposits at the Central Bank	-	-	-	2 250 359	2 250 359
Claims on credit institutions	-	-	-	182 543	182 543
Investments in credit institutions	8 286 696	57 464	-	-	8 344 160
Financial Assets	1 823 827	3 084 057	1 800 914	35 918	6 744 716
Loans and advances to customers	16 385 930	340 373	-	5 344 518	22 070 821
Other assets	-	-	-	856 148	856 148
Total	26 496 453	3 481 894	1 800 914	8 669 486	40 448 747
Financial Liability					
Funds from credit institutions	8 650	-	-	10 452	19 102
Deposits and current accounts	16 317 668	7 550 503	376	8 884 592	32 753 139
Resources allocated	-	-	354 281	-	354 281
Other liabilities	1 851	30 514	1 924 426	1 030 468	2 987 259
Debenture loans	-	-	487 674	-	487 674
Total	16 328 169	7 581 017	2 766 757	9 925 512	36 601 455

Sensitivity of the interest rate on the financial position	10 168 284	-4 099 123	-965 843	-1 256 026	3 847 292
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2020					
Financial asset					
Cash and Deposits at the Central Bank	-	-	-	1 404 996	1 404 996
Claims on credit institutions	747 639	-	-	-	747 639
Investments in credit institutions	10 575 427	297 664	-	-	10 873 091
Financial Assets	2 289 499	260 771	1 670 712	-	4 220 982
Loans and advances to customers	7 317 990	3 344 232	13 748 487	-	24 410 709
Other assets	-	-	-	290 044	290 044
Total	20 930 555	3 902 667	15 419 199	1 695 040	41 947 461
Financial Liability					
Funds from credit institutions	3 882	-	-	23 432	27 314
Deposits and current accounts	15 002 952	7 216 457	6 691	12 924 078	35 150 178
Resources allocated	-	-	311 925	-	311 925
Other liabilities	1 275 929	-	2 714 852	-	3 990 781
Debenture loans	-	-	118 639	-	118 639
Total	16 282 763	7 216 457	3 152 107	12 947 510	39 598 837
Sensitivity of the interest rate on the financial position	-16 282 763	-7 216 457	-3 152 107	-12 947 510	-39 598 837

The sensitivity in the income statement and the impact on the change in interest rates, based on the Central Bank Monetary Policy rates, based on financial assets and liabilities whose interest rate is variable, is as follows:

	Base point increase/decrease	Impact on results before tax
2021	+200 pb	193 874
	-200 pb	(193 874)
2020	+200 pb	121 703
	-200 pb	(121 703)

In the financial year 2021, the Bank changed methodology in the calculation of the impacts of the change in interest rates, applying the provisions of circular n^o4/SCO/2013 of Bank of Mozambique.

3.3.2 Exchange Rate Risk

Exchange rate risk consists of the possibility of the occurrence of negative impacts on results or capital, due to adverse movements in exchange rates, caused by changes in the price of instruments that correspond to open positions in foreign currency or the alteration of the institution's competitive position due to significant variations in exchange rates. This involves the settlement risk that arises when a counterparty finds itself unable to meet the terms of the contract within the agreed timeframe.

Foreign exchange positions are monitored daily to ensure that they are kept within limits whether regulatory or managerial.

The policy and strategy for managing exchange rate risk is defined by ALCO, implemented by the Investment and International Banking Department under the supervision and control of the Risk Management Department.

The following table summarises the Bank's exposure to exchange rate risk as at 31 December:

2021	MZN	USD	ZAR	EUR	Others	Total
Financial Asset						
Cash and Deposits at the Central Bank	2 126 949	106 316	3 128	13 959	7	2 250 359
Claims on credit institutions	7 068	38 415	1 496	128 209	7 355	182 543
Investments in credit institutions	5 578 714	2 721 527	15 405	6 100	22 414	8 344 160
Financial Assets	5 879 187	865 529	-	-	-	6 744 716
Loans and advances to customers	21 146 077	924 744	-	-	-	22 070 821
Other assets	658 870	19 224	16 107	52 815	109 132	856 148
	35 396 865	4 675 755	36 136	201 083	138 908	40 448 747
Financial Liability						
Funds from credit institutions	19 102	-	-	-	-	19 102
Deposits and current accounts	29 269 177	3 319 195	8 170	133 488	23 109	32 753 139
Resources allocated	354 281	-	-	-	-	354 281
Other liabilities	1 887 512	873 264	28 035	67 620	130 828	2 987 259
Debenture loans	-	487 674	-	-	-	487 674
	31 530 072	4 680 133	36 205	201 108	153 937	36 601 455
Liquidity Exposure	3 866 793	(4 378)	(69)	(25)	(15 029)	3 847 292

2020	MZN	USD	ZAR	EUR	Others	Total
Financial Asset						
Cash and Deposits at the Central Bank	1 275 095	96 905	16 872	16 108	16	1 404 996
Claims on credit institutions	112 506	467 197	959	155 870	11 107	747 639
Investments in credit institutions	8 336 591	2 469 522	36 984	3 428	26 566	10 873 091
Financial Assets	3 167 349	1 053 633	-	-	-	4 220 982
Loans and advances to customers	20 106 839	4 303 865	3	2	-	24 410 709
Other assets	370 108	1 198	13 237	221	2	384 766
	33 368 488	8 392 320	68 055	175 629	37 691	42 042 183
Financial Liability						
Funds from credit institutions	27 314	-	-	-	-	27 314
Deposits and current accounts	29 772 164	5 181 592	26 285	143 011	27 126	35 150 178
Resources allocated	311 925	-	-	-	-	311 925
Other liabilities	687 666	3 215 429	41 857	31 365	14 464	3 990 781
Debenture loans	118 639	-	-	-	-	118 639
	30 917 708	8 397 021	68 142	174 376	41 590	39 598 837
Liquidity Exposure	2 450 780	(4 701)	(87)	1 253	-3 899	2 443 346

The table below shows the sensitivity to possible changes in the USD exchange rate, keeping all other variables constant. The impact in the income statement (before tax) is the same as in equity:

	Base point increase/decrease	Impact on results before tax	Impact on equity
2021	+5%	(86 324)	(129 548)
	-5%	86 699	86 699
2020	+5%	(113 927)	(128 334)
	-5%	113 927	113 927

In the economic year 2021, the Bank changed methodology in the calculation of the impacts of the change in exchange rates, applying the internal methodology of stress testing for exchange rate variation, where the variations in the Balance Sheet are calculated, including the impact of exchange rate variation on costs with rents under IFRS 16 and credit impairment.

The effects by currency on results as well as on equity are determined independently, which means that there is no economic offset between them.

	2021	2020
USD Dollar	63,83	74,9
Euro	72,27	92,04
South African Rand	4,02	4,04

The exchange rates used for the translation of balances denominated in foreign currencies were as follows:

3.4. Operational Risk

Operational risk is the probability of the occurrence of negative impacts on results or capital, resulting from errors or faults in the processes of analysis, processing or settlement of transactions, from internal and external fraud, from activity being affected due to the use of outsourced resources, from insufficient or inadequate human resources, or from the inoperability of systems.

Operational risk has its origin in 4 major sources, namely: processes, human resources, information systems and external events, and can also be triggered by Compliance, Reputational and Information Technologies issues.

It should be noted that operational risk must be considered transversal to all processes, products, activities, and systems and, inherently, exists in all units of the Bank's structure. Its management is therefore supported by a governance model, levels of appetite and tolerance to risk, improvement in culture through awareness-raising activities and training, which take the form of activities such as loss data collection, self-assessment of risks and controls (RCSA), scenario analysis and monitoring of pre-defined indicators for subsequent presentation to a specific committee (Risk Committee).

The Bank conducts its efforts to mitigate these risks through a strong governance structure and internal controls, which include an adequate segregation of duties, access, authorisation and reconciliation processes, staff training and assessment processes, in addition to keeping a business continuity plan updated to ensure the ability to operate continuously and limit losses in the event of a serious business interruption.

The Board of Directors is responsible for approving internal policies containing procedures to be adopted in the various processes, which are revised periodically, considering the need to adjust them to reality.

3.5. Capital management and solvency risk

The Bank maintains an active capital management to cover the risks inherent to the business. The Bank's capital adequacy is monitored using, among other measures, the ratios established by the Bank of Mozambique.

The main objectives of capital management are that the Bank:

- Comply with capital requirements imposed by the Bank of Mozambique;
- Maintain a strong and healthy capital ratio rating to support its business; and
- Present a going concern policy in order to provide maximum return and maximise shareholder value.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's Management, applying techniques based on the legislation issued by the Bank of Mozambique on supervisory matters. The required information is submitted to the Bank of Mozambique, on a monthly basis. The Bank of Mozambique requires each Bank to meet a minimum capital adequacy ratio above or at the limit of 12%.

The Bank's regulatory capital is controlled by the Risk Management Department and is divided into two tiers:

- **Tier 1 capital:** share capital (net of any treasury stock), retained earnings and reserves; and
- **Tier 2 capital:** subordinated debt, generic provisions and unrealised gains on fair value of available-for-sale financial assets.

The risk weighting of assets is measured through a hierarchy of thirteen risks, classified according to their nature and reflecting an estimate of credit, market and other risks associated with each asset or counterparty, considering eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet items with some adjustments to reflect a more contingent nature of a potential loss.

The table below summarises the calculation of the Bank's solvency ratio for the year ended 31 December, in the light of the requirements of the Bank of Mozambique:

	2021	2020
Core Tier I capital		
Share capital	5 896 250	3 943 250
Eligible reserves and retained earnings	4 619 438	4 584 339
Intangible assets	(151 503)	(149 486)
Shortfall in provisions (*)	(4 006 649)	(3 604 263)
Core Tier I capital	6 357 536	4 773 840
Of entity being reported		
Tier capital - adjusted	6 357 536	4 773 840
Additional Tier		
Subordinated debenture loans	-	118 000
Others	2 921	3 058
Total amount of the participation if it exceeds 10% of the share capital of the participated entity	-	-
Additional Tier	2 921	121 058
Other items to be deducted	(775 764)	(1 187 689)
Core and additional Tier capital	5 584 693	3 707 209
Risk-weighted assets		
In financial position	20 133 311	21 353 405
Outside the financial position	3 236 806	3 112 135
Operating and market risk	691 253	535 212
Total of weighted assets	24 061 370	25 000 752
Prudential ratios		
CORE TIER CAPITAL	43,10%	34,11%
TIER 1 CAPITAL	26,42%	19,09%
GLOBAL RATIO	23,21%	14,83%
Required solvency ratio	12,00%	12,00%

(*)means the difference between the calculation of loan impairment based on the Bank of Mozambique (BoM) notice and the internal impairment model.

4. Financial Margin

The financial margin income is presented as follows:

	2021	2020
Interest and similar earnings		
Interest on loans and advances to customers	3 940 710	3 830 313
Interest on claims and investments to credit institutions	750 928	615 075
Interest on financial assets at amortized cost	615 372	475 486
	5 307 010	4 920 874
Interest and similar expenses		
Interest on customer deposits	1 594 062	1 901 016
Interest paid on subordinated liabilities	29 387	20 388
Interest from deposits from the Central Bank and credit institutions	194	10 720
Leasehold interest	178 708	634 474
	1 802 351	2 566 598
	3 504 659	2 354 276

In the financial year 2021, the Bank reclassified the exchange rate impacts that were recorded under the Lease interest item to the Other earnings on financial operations item. This change led to a sharp reduction in the Lease interest item.

5. Services and net commissions

This item is presented as follows:

	2021	2020
Fees and commissions earned		
For provided guarantees	155 128	158 425
For banking services performed	281 439	256 508
Other fees and commissions earnings	230 749	226 511
	667 316	641 444
Charges for services and commissions		
For received guarantees	17 083	13 778
For banking services provided by third parties	6 345	10 727
VISA and Mastercard	89 731	76 120
Other fees and commissions charges	34 456	65 785
	147 615	166 410
	519 701	475 034

Type of Service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking services	The Bank provides retail and corporate banking services, including account management, overdraft facilities, foreign currency transactions, credit cards and service fees. Fees in respect of ongoing account management are charged to the client's account, on a monthly basis. The Bank sets fees separately for retail and corporate banking clients each year. Fees applied on commission-based interbank transactions, foreign currency transactions and overdrafts are charged to the client's account when the transaction takes place. Service fees are charged monthly and are based on fixed rates revised annually by the Bank.	Revenue from account service and service fees is recognised over time as the services are provided. Revenue related to transactions is recognised when the transaction occurs.
Investment banking services	The Bank's investment banking segment provides various finance-related services, including loan administration and agency services, syndicated loan administration, execution of transactions with exchange-traded clients and securities underwriting. Ongoing service fees are charged annually at the end of each financial year to the client's account. However, if a client terminates the contract before 31 December, on termination a fee will be charged for services performed up to that point. Transaction-based fees for administration of a syndicated loan, execution of transactions and underwriting of securities are charged when the transaction occurs.	Revenue from administrative agency services is recognised over time as the services are provided. Amounts receivable from Customers as at 31 December are recognised as receivables from Customers. Revenue related to transactions is recognised when the transaction occurs.

6. Net financial transactions

Net financial transactions are as follows:

	2021	2020
Earnings on financial operations		
Earnings on foreign exchange transactions	17 154 950	10 634 470
Other earnings on financial operations	588 372	99 516
	17 743 322	10 733 986
Losses on financial operations		
Losses on foreign exchange transactions	17 069 860	10 573 619
Other losses on financial operations	182 222	-
	17 252 082	10 573 619
Net financial operations	491 240	160 367

In the financial year 2021, the Bank proceeded with the reclassification of the exchange rate impacts that were recorded under the item Lease Interest to the item Other earnings from financial operations and for this reason, this item presents a marked variation when compared to the financial year 2020.

7. Personnel Costs

Personnel costs are as follows:

	2021	2020
Wages and salaries	1 676 780	1 660 819
Mandatory social security charges	56 733	55 342
	1 733 513	1 716 161

Employees

On 31 December, the number of permanent employees was as follows:

	2021	2020
Central Services	505	489
Commercial Area	412	438
	917	927

8. Other Operating Expenses

This item is presented as follows:

	2021	2020
Communications	129 151	125 408
Professional fees	307 947	252 176
Consumables	36 934	40 634
Maintenance and related services	331 900	354 028
Marketing expenses	39 799	37 488
Rents and leasing	29 578	24 997
Water, energy, and fuel	73 575	81 640
Travel and representation expenses	11 021	16 617
Training Expenses	8 701	1 042
Reversal of prior financial year's profits	80 012	74 193
Donations and membership fees	8 406	10 998
Insurances	16 855	17 504
Others	85 997	66 593
	1 159 876	1 103 318

9. Other Operating Profits

This item is presented as follows:

	2021	2020
Services rendered	71 759	106 579
Other earnings	466 646	284 008
	538 405	390 587

The item Other earnings includes, extraordinary earnings, earnings relating to previous financial years and interest on arrears.

10. Provisions

Provisions are as follows:

	2021	2020
Provisions for potential losses	(28 051)	6 699
	(28 051)	6 699

During the financial year 2021, provisions to the value of 28.051 thousand Meticais were reversed due to the reduction in the risk of loss related to the factors that conditioned the creation of provisions in previous financial years.

11. Deferred tax assets and liabilities

Taxes on income (current and deferred) are determined by the Bank based on the rules defined by the tax framework. However, in some situations the fiscal legislation is not sufficiently clear and objective and may give rise to different interpretations. In such cases, the amounts recorded are the outcome of the Bank's best judgment of the appropriate framework for its operations, which may be questioned by the Tax Authorities.

The Tax Authorities are entitled to review the Bank's tax position during a period of five (5) years, which may result in different interpretations and/or non-compliance with tax legislation, namely IRPS (Personal Income Tax), IRPC (Corporation Tax) and VAT (Value Added Tax), resulting in corrections to the taxable income.

The Bank has been presenting tax losses which, under the terms of the Income Tax Code, give rise to the right to deduct future positive tax results up to a maximum limit of 5 years. According to the International Accounting Standard 12, these losses give the right to the recognition of Deferred Tax Assets against results for the year and may be used to meet the Bank's future tax liabilities in case of profits.

The Bank's business plan shows the achievement of positive results in the following years; however, the Board of Directors did not choose to recognise in the financial statements of 2021 the right to recover them within the next five years by recording the deferred tax asset. The Board of Directors also believes to have fulfilled all the tax obligations to which the Bank is subject.

The item on tax is presented as follows:

	2021	2020
Deferred Tax Assets	95 000	95 000
	95 000	95 000

The movements in deferred taxes of the Bank are presented as follows:

	01.01.2021	Income Statement		Equity		31.12.2021
		Expenses	Incomes	Increase	Decrease	
Deferred tax assets						
Tax losses	95 000	-	-	-	-	95 000
	95 000	-	-	-	-	95 000
Deferred tax liabilities						
Tangible assets	(8 839)	-	-	-	-	(8 839)
	(8 839)	-	-	-	-	(8 839)
		-		-		

	01.01.2020	Income Statement		Equity		31.12.2020
		Expenses	Incomes	Increase	Decrease	
Deferred tax assets						
Tax losses	95 000	-	-	-	-	95 000
	95 000	-	-	-	-	95 000
Deferred tax liabilities						
Tangible assets	(8 839)	-	-	-	-	(8 839)
	(8 839)	-	-	-	-	(8 839)
		-		-		

The reconciliation of the effective tax rate to 31 December is as follows:

	2021		2020	
	%	Amount	%	Amount
Profit/Loss of the financial year		(1 381 021)		145 547
Current tax using the tax rate(32%)	32%	(441 927)	32%	46 575
Tax Benefit (16%)	16%	220 963	16%	(23 288)
Tax adjustments				
Non-deductible expenses	-7,0%	96 775	79,2%	115 281
Untaxed income	16,0%	(220 512)	-169,3%	(246 464)
Current Tax	25,0%	(344 700)	-133,5%	(194 337)
Tax losses to be carried forward (utilized)	-25,0%	344 700	133,5%	194 337
		(344 700)		(107 896)

12. Current Tax

	2021	2020
IRPC – Withholding rate	131 506	79 667
	131 506	79 667

The amount of IRPC- Taxa liberatoria refers to the tax on interest from investments in Treasury Bills, Treasury Bonds and other investments in the Interbank Monetary Market and the amount has grown due to the volume of investments that occurred in the financial year 2021.

13. Earnings per share

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share, is based on the loss attributable to ordinary shareholders of the Bank of 1.381.021 Thousand Meticals (2020: Profit: 145,547 Thousand Meticals), and the weighted average number of ordinary shares issued up to 31 December 2021 which is 821.200 (2020: 788,650), calculated as follows:

Lost attributable to shareholders holding ordinary shares

	2021	2020
Net earning	(1 381 021)	145 547
Weighted average number of ordinary shares	821 200	788 650

Earning per share		
Basic	(1,68)	0,18
Diluted	(1,68)	0,18

14. Cash and deposits at the Central Bank

Cash and deposits at the Central Bank are presented as follows:

	2021	2020
Lost attributable to shareholders holding ordinary shares	801 658	511 176
Net earning	81 564	103 709
Weighted average number of ordinary shares	1 367 137	790 111
	2 250 359	1 404 996

15. Claims on credit institutions

The amounts owed by credit institutions are as follows:

	2021	2020
Deposits with national banks	9 242	114 343
Deposits with foreign banks	173 301	633 296
	182 543	747 639

16. Investments in credit institutions

The investments in credit institutions are presented as follows:

	2021	2020
Investments in Central Banks	5 565 506	8 333 555
Investments in other credit institutions	2 778 654	2 539 536
	8 344 160	10 873 091

The investments in credit institutions by maturity are presented as follows:

	2021	2020
Up to 3 months	8 182 029	10 575 427
From 3 months to 1 year	162 131	297 664
	8 344 160	10 873 091

17. Financial Assets

This item is presented as follows:

	2021		2020	
	Amortized cost	Through profit and loss	Amortized cost	Through profit and loss
Treasury Bills	4 685 382	-	2 289 498	-
Treasury Bonds	974 360	-	636 445	-
Corporate Bonds				
Visabeira 2020-2026	213 368	-	250 875	-
BAYPORT 2020-2026	42 187	-	41 639	-
BAYPORT 2021-2025	56 016	-	-	-
MOZBOND	865 529	-	1 053 633	-
Impairment	(128 044)	-	(87 026)	-
Shares				
Emose 2013	-	23 263	-	23 263
SIMO	-	12 655	-	12 655
	6 708 798	35 918	4 185 064	35 918
Total		6 744 716		4 220 982

In terms of residual maturity on 31 December 2021, the Treasury Bills portfolio is as follows:

	2021	2020
1 month maturity	275 235	347 020
Maturity over 1 month < 6 months	3 116 538	1 942 478
Maturity over 6 months < 12 months	1 293 609	-
	4 685 382	2 289 498

In terms of residual maturity on 31 December 2021, the Treasury Bond portfolio is as follows:

	2021	2020
1 month maturity	221 870	-
Maturity over 1 month < 6 months	-	260 772
Maturity over 6 months < 12 months	752 490	375 673
	974 360	636 445

On 31 December 2021, the Treasury Bond portfolio was as follows:

	2021	2020
Treasury Bonds		
Treasury Bond 2019 – 2nd Series	95 116	94 110
Treasury Bond 2020 – 2nd Series	157 671	156 200
Treasury Bond 2019 – 3rd Series	75 675	74 691
Treasury Bond 2018 – 5th Series	-	104 733
Treasury Bond 2018 – 6th Series	-	156 038
Treasury Bond 2019 – 6th Series	51 079	50 673
Treasury Bond 2021- 3rd Series	93 360	-
Treasury Bond 2021- 3rd Series	114 106	-
Treasury Bond 2021 – 4th Series	102 725	-
Treasury Bond 2021 – 5th Series	128 448	-
Treasury Bond 2021 – 8th Series	156 180	-
	974 360	636 445

The movements in financial assets at 31 December 2021 are as follows:

	2021	2020
Initial Balance	4 220 982	3 794 181
Procurement	9 356 845	3 340 956
Accruing Interest	171 866	113 376
Divestitures/reimbursement	(7 004 977)	(3 027 531)
Final Balance	6 744 716	4 220 982

The movements in impairments of financial assets at 31 December 2021 are as follows:

	2021	2020
Initial Balance	87 026	52 527
Reinforcement	108 442	282 445
Reversal	(67 424)	(247 946)
Final Balance	128 044	87 026

On 31 December 2021, the impairments for the year presented a reinforcement of 41.018 thousand Meticaïs (2020: reinforcement of 34.499 thousand Meticaïs), as a result of the depreciation of the price of securities with emphasis on the Mozbond Bonds (2021: 85%; 2020: 91.64%).

17.1 Treasury Bonds

Treasury Bonds 2018 – 5th series

These Treasury Bonds have a maturity of three years and were issued on 08 August 2018 with a nominal value of 100 Meticaïs each. The coupons are paid on a semi-annual basis at an annual interest rate of 16.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and the amounts of the last six issues of term Treasury Bonds over 63 days plus a percentage margin of 1.5%. The Treasury Bonds were repaid over the period 2021. (in 2019 it was 106.311 thousand Meticaïs).

Treasury Bonds 2018 – 6th series

These Treasury Bonds have a maturity of three years and were issued on 22 August 2018 with a nominal value of 100 Meticaïs each. The coupons are paid on a semi-annual basis at an annual interest rate of 16.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and the amounts of the last six issues of Treasury Bonds with terms longer than 63 days, plus a percentage margin of 1.5%. The Treasury Bills were repaid during the period 2021 (in 2019 it was 158.733 thousand Meticaïs).

Treasury Bonds 2019 – 2nd series

These Treasury Bonds have a maturity of three years and were issued on 13 February 2019 with a nominal value of 100 Meticaïs each. The coupons are paid on a half-yearly basis at an annual interest rate of 14.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and the amounts of the last six issues of Treasury Bonds with terms longer than 63 days, plus a percentage margin of 1.5%. The net value on 31 December 2021 was 95.116 thousand Meticaïs (in 2020 it was 94.110 thousand Meticaïs).

Treasury Bonds 2019 – 3rd series

These Treasury Bonds have a maturity of three years and were issued on 27 February 2019 with a nominal value of 100 Meticaïs each. The coupons are paid on a half-yearly basis at an annual interest rate of 14.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and the amounts of the last six issues of Treasury Bonds with terms longer than 63 days, plus a percentage margin of 1.5%. The net value on 31 December 2021 was 75.675 thousand Meticaïs (75.690 thousand Meticaïs in 2020).

Treasury Bonds 2019 – 6th series

These Treasury Bonds have a maturity of three years and were issued on 08 May 2019 with a nominal value of 100 Meticaïs each. The coupons are paid on a half-yearly basis at an annual interest rate of 14.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and by the amounts of the last six issues of Treasury Bonds with terms longer than 63 days, plus a percentage margin of 1.5%. The net value on 31 December 2021 was 51,079 thousand Meticaïs (in 2020 it was 50,673 thousand Meticaïs).

Treasury Bonds 2020 – 2nd series

These Treasury Bonds have a maturity of three years and were issued on 25 February 2021 with a nominal value of 100 Meticaïs each. The coupons are paid semi-annually at an annual interest rate of 12.00% for the first two coupons and the remaining four coupons at the average rate weighted by maturity and by the amounts of the last six issues of Treasury Bills with maturities over 63 days, plus a percentage margin of 1.5%. The net value on 31 December 2021 was 157.671 thousand Meticaïs (in 2020 it was 156.200 thousand Meticaïs).

Treasury Bonds 2021 – 3rd series

These Treasury Bonds have a maturity of four years and were issued on 23 March 2021 with a nominal value of 100 Meticaïs each. The coupons are paid semi-annually at an annual interest rate of 14.00% for the first two coupons and the remaining six coupons at the average rate weighted by maturity and by the amounts of the last six issues of Treasury Bonds with maturities over 63 days, plus a percentage margin of 1.25%. The net value on 31 December 2021 was 207.467 thousand Meticaïs.

Treasury Bonds 2021 – 4th series

These Treasury Bonds have a maturity of five years and were issued on 20 April 2021 with a nominal value of 100 Meticaïs each. The coupons are paid semi-annually at an annual interest rate of 14.00% for the first two coupons and the remaining eight coupons at the average rate weighted by maturity and the amounts of the last six issues of Treasury Bonds with maturities over 63 days, plus a percentage margin of 1.0%. The net value on 31 December 2021 was 102.725 thousand Meticaïs.

Treasury Bonds 2021 – 5th series

These Treasury Bonds have a maturity of five years and were issued on 08 June 2021 with a nominal value of 100 Meticaïs each. The coupons are paid on a half-yearly basis at an annual interest rate of 14.25% for the first two coupons and the remaining eight coupons at the average rate weighted by maturity and by the amounts of the last six issues of Treasury Bonds with maturities over 63 days, plus a percentage margin of 0.75%. The net value on 31 December 2021 was 128.448 thousand Meticaïs.

Treasury Bonds 2021 – 8th series

These Treasury Bonds have a maturity of four years and were issued on 21 September 2021 with a nominal value of 100 Meticaïs each. The coupons are paid on a half-yearly basis at an annual interest rate of 14.00% for the first two coupons and the remaining six coupons at the average rate weighted by maturity and the amounts of the last six issues of Treasury Bonds with maturities of over 63 days, plus a percentage margin of 0.75%. The net value on 31 December 2021 was 156.180 thousand Meticaïs.

17.2 Corporate Bonds

Visabeira 2020 - 2026

These bonds have a maturity of six years, having been issued by Visabeira Moçambique on 23 March 2020, with a nominal amount of 100 Meticaïs per bond. The total amount of the bond loan was 250.000.000 Meticaïs, and Moza Banco is the only firm and full borrower of the loan, in which it holds 250.000.000,00 Meticaïs in its own portfolio. This bond loan is subject to a grace period of twelve months, and interest is paid quarterly at a variable annual rate indexed to the FPC + 4.75% (spread) for the entire duration of the loan. The net value at 31 December 2021 was 213.368 thousand Meticaïs.

Bayport 2020 – 2025 – 2nd series

These bonds have a maturity of five years and were issued by Bayport Financial Services Mozambique on 27 March 2020, with a nominal amount of 100 Meticaïs per bond. The total amount of the bond loan was 511.000.000 Meticaïs and Moza Banco acquired 40.199.400,00 Meticaïs for its own portfolio. The coupons are paid semi-annually at an annual interest rate of 18.00% on the first coupon and the remaining coupons at a variable rate indexed to the weighted average of the last six issues of treasury bills with maturities over 360 days + 6.00% (spread). The net value on 31 December 2021 was 42.187 thousand Meticaïs.

Bayport 2021 – 2025 – 3rd series

These bonds have a maturity of four years and were issued by Bayport Financial Services Mozambique on 27 July 2021, with a nominal amount of 100 Meticaïs per bond. The total amount of the bond loan was 483.000.000 Meticaïs and Moza Banco acquired 52.035.000,00 Meticaïs for its own portfolio. The coupons are paid semi-annually at an annual interest rate of 18.00% on the first coupon and the remaining coupons at a variable rate indexed to the weighted average of the last six issues of treasury bills with maturities over 360 days + 4.50% (spread). The net value on 31 December 2021 was 56.016 thousand Meticaïs.

Moz Bonds 2019 - 2031

These bonds have a maturity of twelve years and new bonds were issued on 30 October 2019, with a nominal value of USD 1.000 per bond. This loan bears interest at a fixed annual rate of 5% with coupons being paid on a semi-annual basis. The liability with this loan is fully covered by a guarantee issued by the Ministry of Finance of the Republic of Mozambique.

17.3 Shares and other variable-yield securities

Empresa Moçambicana de Seguros (EMOSE)

The number of shares held in EMOSE (1.163.130) represents 7.4% of the total 15.700.000 new shares issued by this IPO held in October 2013. Each share has a nominal value of 1 Metical and represents the same voting rights in relation to the rest of the share capital.

Sociedade Interbancária Moçambicana (SIMO)

The balance of SIMO relates to the value of the shares held by the Bank in Sociedade Interbancária Moçambicana, a financial institution majority owned by the Bank of Mozambique and with shareholdings by commercial banks. SIMO's mission as a financial entity is to provide its members access to banking services, namely through its own ATM and POS infrastructures.

18. Loans and advances to customers

Loans and advances to customers are presented as follows:

	2021	2020
Companies	19 559 613	25 069 700
Privates	4 741 680	3 234 678
	24 301 293	28 304 378
Specialised interest and commissions	425 022	636 099
	24 726 315	28 940 477
Expected credit loss	(2 655 494)	(4 529 768)
	22 070 821	24 410 709

The loan portfolio for the year 2021 includes loans granted under the Mpesa loan product amounting to 7,234 thousand Meticaïs.

The loans and advances by segment are analysed as follows:

	2021	2020
Corporate	5 428 754	8 295 039
Retail- Company	10 378 786	11 236 473
Private	462 064	647 792
Public Institution	4 145 651	4 084 081
Retail- Privates	4 311 060	4 677 092
	24 726 315	28 940 477
Expected credit loss	(2 655 494)	(4 529 768)
	22 070 821	24 410 709

The analysis of risk concentration by industry is presented as follows:

	2021	2020
Governmental	306 100	415 514
Retail	4 646 172	4 673 702
Civil Engineering	1 189 453	1 267 314
Manufacturing Industry	2 525 750	3 240 455
Privates	4 229 181	3 916 348
Services	6 468 370	8 164 862
Transport and communications	1 247 706	1 417 613
Others	1 458 089	1 314 901
	22 070 821	24 410 709

Gross loans and advances by currency are analysed as follows:

	2021	2020
National currency	23 788 451	24 641 948
Foreign currency	937 864	4 298 529
	24 726 315	28 940 477

Loans and advances are analysed as follows:

2021	Stage 1	Stage 2	Stage 3	2021
In compliance	13 451 179	-	-	13 451 179
In compliance but not impaired	-	4 907 745	-	4 907 745
In default	-	-	3 711 897	3 711 897
	13 451 179	4 907 745	3 711 897	22 070 821

2020	Stage 1	Stage 2	Stage 3	2020
In compliance	9 707 600	-	-	9 707 600
In compliance but not impaired	-	9 550 646	-	9 550 646
In default	-	-	5 152 463	5 152 463
	9 707 600	9 550 646	5 152 463	24 410 709

The maturity of gross loans and advances is presented as follows:

	2021	2020
Up to 3 months	4 544 556	10 192 834
From 3 months to 1 year	2 029 104	3 495 232
From 1 year to 5 years	10 471 471	9 551 108
More than 5 years	7 681 184	5 701 303
	24 726 315	28 940 477

Credit Impairment

The movement in impairment losses during the year is presented as follows:

2021	Stage 1	Stage 2	Stage 3	2021
Initial Balance	151 761	462 657	3 915 350	4 529 768
Reinforcement	211 418	249 846	5 648 944	6 110 208
Reversal	(70 740)	(336 197)	(3 044 043)	(3 450 980)
Regularization	-	-	(4 533 502)	(4 533 502)
	292 439	376 306	1 986 749	2 655 494

2020	Stage 1	Stage 2	Stage 3	2021
Initial Balance	259 727	569 094	3 892 361	4 721 182
Reinforcement	84 090	295 123	983 106	1 362 319
Reversal	(192 056)	(401 560)	(857 293)	(1 450 909)
Regularization	-	-	(102 824)	(102 824)
	151 761	462 657	3 915 350	4 529 768

On 31 December 2021, impairment for the year stood at 2.659.228 thousand Meticaís, corresponding to an increase of 6.110.208 thousand Meticaís and a reversal of impairment of 3.450.980 thousand Meticaís. Also in the year 2021, the Bank proceeded with the write-off of exposures of loans in default to the value of 4.533.502 thousand Meticaís.

19. Other assets

Other assets are presented as follows:

	2021	2020
Other receipts	500 638	226 867
Accruals and deferrals	240 210	63 177
Inventories	16 956	26 662
Recoverable assets*	103 401	90 765
	861 205	407 471
Other assets impairment	(5 057)	(22 705)
	856 148	384 766

The detail of the item 'Recoverable assets' is presented as follows:

	2021	2020
Companhia de Moçambique, S.A.	15 000	-
Maresia Condominium	35 088	66 174
Promovalor Moçambique - Property Development	26 973	-
Others	26 340	24 591
	103 401	90 765

The movement in impairment losses during the year is presented as follows:

	2021	2020
Initial Balance	(22 705)	(60 203)
Increases	-	33 444
Reductions	17 648	4 054
Final Balance	(5 057)	(22 705)

The accumulated impairment of other assets stood at 5.057 thousand Meticaís, as a result of the transfer of regularisation of impairments to the amount of 17.648 thousand Meticaís which occurred during 2021 as a result of the sale of some properties.

20. Non-current assets held for sale

The movement in non-current assets held for sale is presented as follows:

	2021	2020
Executed properties	1 205 001	951 877
Impairments	(367 895)	(163 339)
	837 106	788 538

The gross value of non-current assets held for sale shows an increase of 253.124 thousand Meticaís, as a result of the reclassification of some properties from the heading Investment Property to the heading Non-current assets held for sale. This reclassification of properties, together with the updating of their valuations, resulted in a strengthening of impairments of 218.619 thousand Meticaís.

The movement of the non-current assets held for sale during the year is presented as follows:

	2021	2020
Initial Balance	951 877	1 114 610
Increases	423 604	-
Reductions	(170 480)	(162 733)
Sub-total	1 205 001	951 877
Impairments	(367 895)	(163 339)
Final Balance	837 106	788 538

The movement in impairment losses during the year is presented as follows:

	2021	2020
Initial Balance	(163 339)	(209 726)
Reinforcement	(222 073)	-
Reversal	29 039	40 757
Regularization	(11 522)	5 630
Final Balance	(367 895)	(163 339)

The impairment for the year of non-current assets held for sale was 193.034 thousand Meticaís due, essentially, to the reinforcement of the impairments of the properties that were reclassified from the Investment Properties item.

21. Investment Properties

The movement in this item is as follows:

	Valor
COST	
01 January 2020	138 780
Increase	789 453
31 December 2020	928 233
Regularization	(432 300)
Reduction	(123 031)
31 December 2021	372 902
AMORTIZATION	
01 January 2020	11 488
Increase	13 457
31 December 2020	24 945
Increase	30 150
Reduction	(34 129)
31 December 2021	20 966
CARRYING VALUE	
01 January 2020	127 292
31 December 2020	903 288
31 December 2021	351 936

At 31 December 2021, the fair value of the Investment Properties was 351.936 thousand Meticaís.

22. Tangible Assets

The movement in tangible assets is as follows:

	Leasehold property	Equipments	Ongoing investments	Right-of-use assets	Others	Total
COST						
01 January 2020	1 174 298	1 405 194	420 928	2 574 184	2 597	5 577 201
Regularizations	-	51	(49)	(27 239)	-	(27 237)
Increase	2 877	19 481	88 716	-	-	111 074
Reduction	(63 029)	(89 832)	-	-	-	(152 861)
Transfers	-	-	-	(3 974)	-	(3 974)
31 December 2020	1 114 146	1 334 894	509 595	2 542 971	2 597	5 504 203
Regularizations	-	-	-	(242 241)	-	(242 241)
Increase	3 684	68 328	57 297	66 063	-	195 372
Reduction	(22 326)	(45 730)	-	-	-	(68 056)
Transfers	-	16 320	(16 320)	-	-	-
31 December 2021	1 095 504	1 373 812	550 572	2 366 793	2 597	5 389 278
AMORTIZATION						
01 January 2020	639 964	1 062 163	20	272 311	-	1 974 458
BTM Merger Impact	102 516	128 704	-	260 937	-	492 157
Increase	(52 159)	(85 818)	-	-	-	(137 977)
Regularizations	-	-	-	(7 419)	-	(7 419)
31 December 2020	690 321	1 105 049	20	525 829	-	2 321 219
Increase	97 626	108 188	-	239 406	-	445 220
Reduction	(14 474)	(43 966)	-	-	-	(58 440)
Regularizations	-	-	-	(25 268)	-	(25 268)
31 December 2021	773 473	1 169 271	20	739 967	-	2 682 731
CARRYING VALUE						
01 January 2020	534 334	343 031	420 908	2 301 873	2 597	3 602 743
31 December 2020	423 825	229 845	509 575	2 017 142	2 597	3 182 984
31 December 2021	322 031	204 541	550 552	1 626 826	2 597	2 706 547

23. Intangible Assets

The movement in intangible assets is as follows:

	Software	Ongoing investments	Total
COST			
01 January 2020	846 676	56 327	903 003
Increase	-	52 280	52 280
31 December 2020	846 676	108 607	955 283
Increase	2 696	29 099	31 795
31 December 2021	849 372	137 706	987 078
AMORTIZATION			
01 January 2020	735 135	-	735 135
Increase	70 662	-	70 662
31 December 2020	805 797	-	805 797
Increase	29 778	-	29 778
31 December 2021	835 575	-	835 575
CARRYING VALUE			
01 January 2020	111 541	56 327	167 868
31 December 2020	40 879	108 607	149 486
31 December 2021	13 797	137 706	151 503

24. Current Taxes

Current tax assets are presented as follows:

	2021	2020
Payment on account of IRPC	38 565	38 565
IRPC withholding tax	478 709	333 472
	517 274	372 037

25. Funds from credit institutions

The Funds of Credit Institutions including Bank of Mozambique are presented as follows:

	2021	2020
Demand deposits	15 414	23 432
Saving deposits	3 688	3 882
	19 102	27 314

The maturity of the Resources of Credit Institutions, including Bank of Mozambique, is presented as follows:

	2021	2020
Up to 3 months	19 102	27 314
	19 102	27 314

26. Deposits and current accounts

Deposits and current accounts are as follows:

	2021	2020
Demand deposits	13 524 333	12 924 078
Saving deposits	19 016 483	20 330 182
Others	56 225	1 895 918
	32 753 139	35 150 178

The maturity of deposits and current accounts is presented as follows:

	2021	2020
At demand	13 680 431	12 924 078
Up to 3 months	10 069 982	15 002 952
From 3 months to 1 year	7 755 315	7 216 457
From 1 year to 5 years	1 247 411	6 691
	32 753 139	35 150 178

27. Allocated resources

	2021	2020
i)Ministry of Industry (PSRP)	1 870	2 678
ii)FNDS	16 027	-
iii)FSA-Kuwait Fund	336 061	308 924
Interests	323	323
	354 281	311 925

i) An agreement was concluded with the Ministry of Industry and Trade to access funds granted by the Italian Government, in the form of a guarantee fund called (PSRP - Private Sector Recovery Programme) aimed at supporting private sector activities directly affected by natural disasters that occurred in 2000/2001. The fund was made available on 31 March 2015, for the amount of 120 million Meticaïs, for a period of 5 years, with the beneficiary operations having a fixed rate of 10.00% per annum;

ii) In July 2020, a Technical and Financial Partnership Protocol on the Promotion and Financing of Rural Development Projects integrated in Mozambique was signed between the National Fund for Sustainable Development (FNDS, standing for Fundo Nacional de Desenvolvimento Sustentável) and Moza Banco. The purpose of this agreement is the management by the Bank of a line of funding for the programme called SUSTENTA, comprising a grant component to the value of 272,002 thousand Meticaïs and a credit component to the value of MZN 901,214 thousand Meticaïs;

	2021	2020
Capital	212 565	212 565
Interests	123 496	96 359
	336 061	308 924

iii) On 30 May 2012, the Bank initialled an agreement with the government of the Republic of Mozambique and the Kuwait Fund for Arab Economic Development, under which it assumed the management of a fund to finance agriculture and food production micro-businesses and related services, with no defined repayment term.

28. Other liabilities

This item is presented as follows:

	2021	2020
Accounts Payable	484 327	700 550
Accrued expenses	330 990	371 069
Deferred income	38 463	37 572
Right-of-use liabilities	1 956 791	2 714 852
Provisions	85 188	113 239
Impairment of guarantees and commitments	66 744	25 596
	2 962 503	3 962 878
Derivatives	24 756	27 903
	2 987 259	3 990 781

The reduction in the item Lease liabilities for use is due to the termination of some contracts of lease of the buildings without renewal, combined with the amortization of the capital which is done monthly.

The movement of the impairment of guarantees and commitments assumed during the year is presented as follows:

	2021	2020
Initial Balance	25 596	41 884
Reinforcement	70 804	38 703
Reversal	(31 049)	(54 991)
Regularization	1 393	-
Sub-Total	66 744	25 596

Impairment for the year for guarantees and commitments undertaken stood at 39.755 thousand Meticaïs, as a result of strengthening of impairment to the value of 70.804 thousand Meticaïs and reversal of impairment to the value of 31.049 thousand Meticaïs.

The movement in provisions during the year was as follows:

	2021	2020
Initial Balance	113 239	106 529
Reinforcement	300	6 699
Reversal	(28 351)	-
Regularization	-	11
Sub-Total	85 188	113 239
Total	151 932	138 835

29. Debenture Loans

The debenture loans are presented as follows:

	2021	2020
Debenture loans – Subordinated		
Mozabanco Subordinated loan 2013-2022	478 725	118 000
Interests	8 949	639
	487 674	118 639

Moza Banco 2016-2022 – subordinated loan

The subordinated loan has a maturity of 6 years, having been issued by Moza Banco on 31 March 2016, with a nominal value of 100 Meticaïs each bond. With a total nominal value of 118.000.000 Meticaïs, interest is paid, on a monthly basis, at a fixed annual rate of 17%. In the absence of early repayment by the issuer which may occur from the 5th year onwards with the preliminary approval of Banco de Moçambique, the principal will be paid on maturity.

Arise Fund 2021-2025

The debenture loan has a maturity of 4 years, having been issued by Moza Banco on 10 March 2021, with a nominal value of one hundred thousand (100.000) US dollars each bond. With a total nominal value of 7.500.000 (seven million and five hundred thousand) US dollars, with a grace period of twelve months. Interest is paid semi-annually at a variable rate indexed to 6-month LIBOR USD plus a spread of 5.50%.

The maturity of the bond loans is presented as follows:

	2021	2020
From 1 to 5 years	487 674	118 639
	487 674	118 639

30. Share capital

At 31 December 2021, the Share Capital of Moza Banco is fully subscribed and paid up, and is as follows:

	Number of Shares	Nominal Value	Share capital	% Share capital
2021				
Kuhanha	742 691	5 000	3 713 455	62,98%
Arise	351 390	5 000	1 756 950	29,80%
Moçambique Capitais, SA	43 435	5 000	217 175	3,68%
Novo Banco	41 732	5 000	208 660	3,54%
Dr. António Matos	2	5 000	10	0,00%
	1 179 250		5 896 250	100%
2020				
Kuhanha	468 482	5 000	2 342 410	59,40%
Arise	235 000	5 000	1 175 000	29,80%
Moçambique Capitais, S.A	43 435	5 000	217 175	5,51%
Novo Banco	41 732	5 000	208 660	5,29%
Dr.António Matos	1	5 000	5	0,00%
	788 650		3 943 250	100%

During the 2021 financial year, the Bank increased its share capital by 1.953.000 thousand Meticaïs, through the issue of 390.600 fully subscribed and paid-up shares.

31. Reserves

The reserves are presented as follows:

	2021	2020
Legal Reserve	4 661 843	4 661 843
Share premium	1 993 740	1 993 740
	6 655 583	6 655 583

32. Classification of financial instruments

The classification of the Bank's financial instruments is as follows:

2021	Financial assets through profit or loss	Financial assets through other comprehensive income	Amortized Cost	Total
Assets				
Cash and Deposits at the Central Bank	-	-	2 250 359	2 250 359
Claims on credit institutions	-	-	182 543	182 543
Investments in credit institutions	-	-	8 344 160	8 344 160
Financial Assets	-	35 918	6 708 798	6 744 716
Loans and advances to customers	-	-	22 070 821	22 070 821
Other assets	-	-	856 148	856 148
	-	35 918	40 412 829	40 448 747

	At fair value through profit or loss	Other financial Liabilities	Non-financial liabilities	Total
Liabilities				
Funds from credit institutions	-	19 102	-	19 102
Deposits and current accounts	-	32 753 139	-	32 753 139
Resources allocated	-	354 281	-	354 281
Other liabilities	24 756	2 962 503	-	2 987 259
Debenture loans	-	487 674	-	487 674
	24 756	36 576 699	-	36 601 455

2020	Financial assets through profit or loss	Other financial Liabilities	Amortized Cost	Total
Assets				
Cash and Deposits at the Central Bank	-	-	1 404 996	1 404 996
Claims on credit institutions	-	-	747 639	747 639
Investments in credit institutions	-	-	10 873 091	10 873 091
Financial Assets	-	35 918	4 185 064	4 220 982
Loans and advances to customers	-	-	24 410 709	24 410 709
Other assets	-	-	384 766	384 766
	-	35 918	42 006 265	42 042 183

	At fair value through profit or loss	Other financial Liabilities	Non-financial liabilities	Total
Liabilities				
Funds from credit institutions	-	27 314	-	27 314
Deposits and current accounts	-	35 150 178	-	35 150 178
Resources allocated	-	311 925	-	311 925
Other liabilities	27 903	3 962 878	-	3 990 781
Debenture loans	-	118 639	-	118 639
	27 903	39 570 934	-	39 598 837

32.1 Fair value of financial instruments

When the fair value of financial assets and liabilities recorded in the Financial Statements cannot be calculated based on quoted prices in active markets, fair value is determined using various valuation techniques, which include the use of the discounted cash flow method. The inputs to these models are calculated using available market information, however, where this is not practicable, it is necessary to make some use of weightings to determine fair value.

Changes in assumptions about the following factors could affect the fair value recognised in the Financial Statements:

- ▶ **Level 1** – Quoted market price (unadjusted) in an active market for an identical instrument;
- ▶ **Level 2** – Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using prices in quoted markets or active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active, or other valuation techniques in which all elements are directly or indirectly observable from market data;
- ▶ **Level 3** – Valuation techniques using non-observable market inputs. This category includes financial instruments where the valuation technique includes inputs not based on unobservable data and the unobservable inputs have a significant effect on the valuation of the instrument. This category includes instruments that are valued based on quoted prices of similar income where there is a need for significant unobservable adjustments or assumptions to reflect differences between the instruments.

The fair values of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation techniques include free and benchmark interest rates, credit spreads and other premiums used to estimate discount rates, bond prices, treasury bills and exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting on a commercial basis.

Fair value hierarchy of financial instruments

The Bank measures financial instruments at fair value at the date of the financial position. Fair value assumes that the asset or liability is traded between market participants in an orderly transaction to sell the asset or transfer the liability at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place:

- ▶ The principal market for that asset or liability; or
- ▶ If there is no principal market, on the most advantageous market for that asset or liability.

The principal or most advantageous market must be accessible to the Bank. The fair value of the asset or liability is measured using the assumptions that market participants have used in entering into the transaction, assuming that the participants are acting in their economic best interest.

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

The Bank uses valuation techniques considered the most appropriate under the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant information available based on observable variables and minimising the use of unobservable variables.

All assets and liabilities whose fair value is measured or disclosed in the financial statements are recognised in accordance with the fair value hierarchy, described below, based on the lowest level of inputs for fair value measurement:

- ▶ **Level 1** – Quoted prices (unadjusted) for the assets or liabilities in active markets that the entity has access to at the measurement date;
- ▶ **Level 2** – Fair value determined based on market inputs not included in Level 1, but which are observable in a market for an asset or liability, either directly or indirectly;
- ▶ **Level 3** – Fair value of assets and liabilities is determined based on inputs that are not based on observable market information.

For assets and liabilities that are recognised recurrently in the financial statements, the Bank determines whether transfers have occurred between levels of the hierarchy by re-evaluating the categorisation (based on the lowest level input to the fair value measurement).

The fair value of quoted securities is based on price quotations at the financial position date only when an active market exists. The fair value of unquoted instruments, bank loans and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, the credit risk and remaining term.

The following table shows the fair value analysis of the financial instruments according to the fair value hierarchy for the Bank:

2021	Level 1	Level 2	Level 3	Total
Assets				
Cash and Deposits at the Central Bank	-	2 250 359	-	2 250 359
Claims on credit institutions	-	182 543	-	182 543
Investments in credit institutions	-	8 344 160	-	8 344 160
Financial Assets	1 711 845	5 032 871	-	6 744 716
Loans and advances to customers	-	22 070 821	-	22 070 821
Other assets	-	856 148	-	856 148
	1 711 845	38 736 902	-	40 448 747

Liabilities				
Funds from credit institutions	-	19 102	-	19 102
Deposits and current accounts	-	32 753 139	-	32 753 139
Resources allocated	-	354 281	-	354 281
Other liabilities	-	2 987 259	-	2 987 259
Debenture loans	-	487 674	-	487 674
	-	36 601 455	-	36 601 455

2020				
Assets				
Cash and Deposits at the Central Bank	-	1 404 996	-	1 404 996
Claims on credit institutions	-	747 639	-	747 639
Investments in credit institutions	-	10 873 091	-	10 873 091
Financial Assets	1 603 052	2 617 930	-	4 220 982
Loans and advances to customers	-	24 410 709	-	24 410 709
Other assets	-	384 766	-	384 766
	1 603 052	40 439 131	-	42 042 183

Liabilities				
Resources from credit institutions	-	27 314	-	27 314
Deposits and current accounts	-	35 150 178	-	35 150 178
Resources allocated	-	311 925	-	311 925
Other liabilities	-	3 990 781	-	3 990 781
Debenture loans	-	118 639	-	118 639
	-	39 598 837	-	39 598 837

The following table shows, by class, the comparison of the fair value with the carrying amounts of the Bank's financial instruments that are not measured at fair value in the Financial Statements:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and Deposits at the Central Bank	2 250 359	2 250 359	1 404 996	1 404 996
Claims on credit institutions	182 543	182 543	747 639	747 639
Investments in credit institutions	8 344 160	8 344 160	10 873 091	10 873 091
Financial Assets held for trading	6 744 716	6 744 716	4 220 982	4 220 982
Loans and advances to customers	22 070 821	20 746 572	24 410 709	22 946 067
Other assets	856 148	856 148	384 766	384 766
	40 448 747	39 124 498	42 042 183	40 577 541

Financial Liabilities				
Funds from credit institutions	19 102	19 102	27 314	27 314
Deposits and current accounts	32 753 139	34 063 264	35 150 178	36 556 184
Resources allocated	354 281	343 651	311 925	302 566
Debenture loans	487 674	512 058	118 639	124 571
Other liabilities	2 987 259	2 987 350	3 990 781	3 990 902
	36 601 455	37 925 424	39 598 837	41 001 537
	3 847 292	1 199 074	2 443 346	(423 996)

The management considers that Cash and Deposits at the Central Bank and Deposits at Credit Institutions approximate fair value, due to the short-term maturity of these instruments.

The Fair Value of financial assets and liabilities are included in the amount at the date of their transaction between interested parties, without there being a requirement for settlement.

In determining the estimated fair value, the following methods and assumptions were used:

- ▶ The fair value of financial assets is obtained based on active market, as well as obtained through the use of present value, based on observable market variables.
- ▶ The Bank has derivative financial instruments, such as swaps.
- ▶ The fair value of financial instruments measured at amortised cost, such as investments in credit institutions, loans and advances to customers, resources of credit institutions, deposits and current accounts and bond loans are obtained through the calculation of discounted cash flows.

33. Related Parties

Balances with related parties are as follows:

		Investment in Credit institutions	Loan and advances to customers	Resources from Credit Institutions	Deposits and current accounts
Shareholders					
Kuhanha	2021	-	-	-	2 216 982
	2020	-	-	-	2 689 387
Arise, B.V	2021	-	-	-	140
	2020	-	-	-	142
Moçambique Capitais	2021	-	5	-	63
	2020	-	4	-	2 504
Novo Banco	2021	-	-	-	72
	2020	-	-	-	56
Almeida Matos	2021	-	1	-	6 420
	2020	-	-	-	7 414

The balances with personnel of the Governing Body are as follows:

		Loans and advances to customers	Deposits and current accounts	Interest Expenses	Interest Earned
Management Body	2021	30 769	52 016	7 227	2 484
	2020	30 921	233 131	4 849	72

Transactions with related parties are presented as follows:

		Operating Leases	Interest Expenses	Interest Earned
Shareholders				
Kuhanha	2021	-	221 427	-
	2020	-	56 997	-
Moçambique Capitais	2021	6 052	95	-
	2020	5 323	-	-
Novo Banco	2021	-	-	-
	2020	-	-	-
Almeida Matos	2021	-	250	-
	2020	-	2	-

Benefits to the Governing Body

During the period 2021, the salaries of the Governing Body amounted to 145.181 thousand Meticaïs.

34. Contingencies and commitments

	2021	2020
Guarantees	5 580 842	5 463 013
Letters of Credit	212 091	302 281
	5 792 933	5 765 294

35. Going concern assumption

During the year ended 31 December 2021, the Bank recorded a net loss of 1.381 million Meticaïs (2020: net profit of 145 million Meticaïs), corresponding to a reduction of 1.487 million Meticaïs compared to the previous year.

The Bank's performance in 2021 continued to be negatively impacted by the Covid 19 pandemic and faced with a challenging and uncertain environment, the Bank reinforced its strategy of prudence in its lending activity, leading to a 9% reduction in the net loan portfolio compared to 2020.

Also in 2021, in order to ensure greater coverage of the risk associated with past-due exposures, the Bank reinforced the impairment of a large past-due operation, whose recoverability will be slow and complex. In addition, the Bank also proceeded with the cleaning up of some overdue credit exposures that were fully covered, in order to reduce the exposure to non-income generating loans. This strengthening of impairment was decisive for Moza Banco to end the financial year 2021 with a negative result before tax of 1.210 million Meticaïs.

Despite the negative result, Moza Banco has no intention of discontinuing its activities, a fact that is substantiated by the reinforcement of the Share Capital made by the Bank's shareholders, through the issue of 390,600 shares that were fully paid up in 2021.

Certified Accountant

OCAM n° 888/CC/OCAM/2013

The Administration

Attached to Circular n° 3/SHC/2007 - MODEL III
Balance Sheet - Individual Accounts (Assets)

	December 31, 2021			
	Value before provisions, impairment and amortizations	Provisions, impairment and amortizations	Net Value	December 31, 2020
Asset				
Cash and deposits at central banks	2 250 352	-	2 250 352	1 404 981
Claims on credit institutions	182 541	-	182 541	747 636
Financial assets held for trading	4 995 459	-	4 995 459	2 577 372
Other financial assets at fair value through profit or loss	0	-	0	0
Available-for-sale financial assets	1 664 676	0	1 664 676	1 563 463
Loans and advances to credit institutions	8 343 675	0	8 343 675	10 873 092
Customer credit	24 782 375	2 655 495	22 126 880	24 461 688
Held-to-maturity investments	0	0	0	0
Assets sold under repurchase agreement	0	-	0	0
Hedge derivatives	0	-	0	0
Non-current assets held for sale	1 205 003	367 895	837 108	788 539
Investment properties	372 903	20 967	351 936	903 288
Other tangible assets	5 389 277	2 682 730	2 706 547	3 182 985
Intangible assets	987 078	835 575	151 503	149 486
Investments in associates, affiliates and joint ventures ventures	12 655	0	12 655	12 655
Current tax Assets	517 274	88 109	517 274	372 037
Deferred tax assets	95 000	-	95 000	95 000
Other Assets	5 554 578	-	5 466 469	9 913 083
Total Assets	56 352 845	6 650 771	49 702 074	57 045 305

- (1) Applicable part of the balance of these items.
(2) Item 50 should be entered on the assets side if it has a debit balance and on the liabilities side if it has a credit balance.
(3) The debit balances of headings 542 and 548 are entered on the assets side and the credit balances on the liabilities side.

Attached to Circular n° 3/SHC/2007 - MODEL III (LIABILITY AND EQUITY)
Balance Sheet - Individual Accounts

	December 31, 2021	December 31, 2020
Liability		
Deposits from central banks	-0	0
Financial liabilities held for trading	-	-
Other financial liabilities at fair value through profit or loss		
Resources from other credit institutions	124 139	121 790
Resources from customers and other loans	32 756 951	35 150 179
Liabilities represented by securities	8 948	0
Hedge Derivatives	-	-
Non-current liabilities held for sale and discontinued operations	-	-
Provisions	151 932	138 834
Current tax liabilities	-	-
Deferred tax liabilities	8 839	8 839
Equity instruments	-	-
Other subordinated debt	478 725	118 639
Other liabilities	7 674 721	13 581 183
Total Liabilities	41 204 255	49 119 466
Capital		
Capital	5 896 250	3 943 250
Issue Premium	1 993 740	1 993 740
Other equity instruments	-	-
(Own Shares)	-	-
Revaluation Reserves	-	-
Other reserves and transited results	1 988 850	1 843 302
Income Statement	(1 381 021)	145 547
(Prepaid dividends)		
Total Capital	8 497 819	7 925 839
Total Liabilities + Capital	49 702 074	57 045 305

Attached to Circular n° 3/SHC/2007 - MODEL IV
Income Statement - Individual Accounts

	December 31, 2021	December 31, 2020
Interest and similar income	5 307 009	4 920 874
Interest and similar charges	1 803 557	2 148 447
Financial Margin	3 503 452	2 772 427
Banking Product		
Income from equity instruments	0	0
Income from services and commissions	524 816	498 991
Charges with services and commissions	146 408	166 701
Income from assets and liabilities assessed at fair value through profit and loss	304 909	(394 426)
Income from available-for-sale financial assets	-	0
Profit or loss on exchange rate revaluation	85 090	61 042
Income from the sale of other assets	25 207	97 188
Other operating results	462 285	295 683
Banking Product	4 759 351	3 164 204
Personnel Costs	1 733 514	1 716 159
General administrative expenses	996 726	966 926
Depreciation costs	505 148	576 278
Provisions net of refunds and write-offs	-28 051	6 699
Impairment of other financial assets, net of reversion and recovery	2 740 001	-247 405
Impairment of other assets net of reversals and recoveries	193 034	0
Profit before tax	(1 381 021)	145 547
Taxes		
Current	0	0
Deferred	0	-
Profit after tax	(1 381 021)	145 547
Of which: Net profit after tax from discontinued operations	(94)	(2 991)

- (1) Applicable part of the balance of these items.

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