Annual Report **2017**

MOZA

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Chairman of the Board of Directors

Dr. João Figueiredo

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1. Message from the Chairman

Dear Shareholders, Customers, Employees and Stakeholders,

2017 presented several major challenges and the need for overcoming many obstacles, at all levels: Mozambique has experienced a strong economic downturn, which has had a direct impact both on people's lives and businesses.

The adverse economic environment has also affected our business activity as well. It was against this rather uncertain economic environment, in a context of high interest rates, growth of domestic public debt and downturn on lending to the economy, among other factors, that Moza Banco had to seek solutions to the deep internal crisis which it had been experiencing since 2016.

The process was indeed a daunting challenge, which has been addressed with a sense of great responsibility towards the financial system, the markets and the country of Mozambique.

We worked hard guiding the Bank's recapitalisation process. Our main goal was to stabilise its financial position and prudential supervision, thus allowing for the restoration and strengthening of the trust of markets, individual depositors, governmental authorities and other relevant stakeholders of the Bank.

With respect to Moza Bank, one may therefore confidently assert that 2017 will be etched in our collective memory as the year when our institution was rebuilt and financially restructured!

2017 will be remembered as the year when the Bank has finally rebalanced its economic and financial structure, as a result of the successful recapitalisation and reorganisation which, on 28 July, 2017, led to the completion of Bank of Mozambique intervention in the financial institution.

2017 will also be remembered as the year when customers have witnessed a further strengthening of the Bank and reaffirmed their trust in the institution. These factors have derived from a fruitful recapitalisation of the Bank, by means of a capital increase in the amount of MZN 8,170 million, made in June 2017, which introduced a new national investor into Moza shareholding structure "Kuhanha". In addition, the Bank's shareholders have carried out another capital increase of MZN 3,542 million in December 2017, thus enhancing investor confidence in the long-term viability of the Bank's business. This fact has ensured the implementation of the 2017-2021 Strategic Plan.

The current prudential ratios presented by Moza Banco show that the Bank has one of the best capitalisation ratios of the national banking sector. On 31 December 2017, the Bank's capital adequacy ratio had reached 23.46% - significantly above the requirements laid down by the Regulator (9.0%) and the average market figures.

On the other hand, we have also set the recovery and increase of our customer's confidence levels as a business priority for the year in question. In this regard, we have worked intensively to mobilise all employees of the Bank (in general) and sales teams (in particular), in order to ensure that all employees were committed to and confident about achieving the goals set by the Bank.

Moza has a distribution network of 53 branches, 109 ATMs and 3,094 POS, and a current total of 732 employees. This is a predominantly young company, which assures us that the Bank will maintain its commitment to excellence, innovation and competitiveness.

The Customer is at the heart of our business model. Therefore, we took on a new approach and adopted a new identity in 2017: one of a Relational Bank seeking to understand the customer's needs, to provide innovative solutions and build long-term relationships based on trust. To this end, we have strengthened our communication with our customers through satisfaction surveys and advertisement of our communication channels.

As a result of this strategy, customer deposits have increased significantly (11.8% more, compared to the same period of the previous year), thus resulting in an improved loan-to-deposit ratio. This development clearly shows the gradual reinforcement of our customer's confidence levels.

On the other hand (and still regarding the year under review), we have adopted several measures designed to streamline internal processes and business structure, allowing for a greater control and cost reduction. The aim was to ensure the sustained recovery of operational efficiency in line with the goals set out in the 2017-2021 Strategic Plan.

Consequently, there was a significant improvement in profitability and efficiency ratios when compared to the same period in 2016. The return on equity (ROE) and return on assets (ROA) stood at -16.9% (2016: -211.3%) and -5.5% (2016: -19.0%), respectively.

The cost-to-income ratio has reached 105%, down from 549% in the same period in 2016, thus reflecting the positive impact of measures aimed at reducing costs and increasing banking income.

The net result, although negative at MZN 1,459 million, is distinctly lower than in 2016 (MZN -5,268 million), and is in line with the expected results laid down in the 2017-2021 Strategic Plan.

Despite the high levels of provisioning and coverage of the Bank's credit portfolio at the end of 2016, it was still necessary to endeavour additional efforts to considerably increase customer credit coverage in 2017, which reflected the downturn in economic activity. At present, the coverage ratio of loans due to impairment is 171% (2016: 132%). This shows our commitment to ensuring appropriate levels of asset coverage in line with the conservative, prudent and professional risk management policy set out by the Bank's Board of Directors.

The implementation of the Strategic Plan approved by the shareholders for 2017-2021 allowed us to strengthen our strategic and business position. Throughout 2017, as a result of the strategies implemented, we were able to consolidate the position of the Bank in the Mozambican financial system. We have also been rated as one of the top five largest banks operating in Mozambique, with a significant market share in Assets (4.97%), Credit (7.42%) and Deposits (4.74%).

In terms of social responsibility, we have continued to assert our commitment to the society, by supporting research and knowledge projects, promoting financial education and participating in social initiatives through our employees, acting as volunteers. Our social responsibility policy also aims at promoting health, well-being and sports.

The year of 2017 was a milestone year within the framework of rehabilitation and reorganisation process and to meet the challenges of the future.

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Notwithstanding the prospect of a difficult economic environment, marked by a continuous climate of austerity and the pursuit of budgetary balance by the Government, **we have set out 2018 as the year when Moza is relaunched.**

2018 will be the year when our recovery will be entrenched and we will continue to take our path, whilst keeping the growth momentum in line with the strategy set out by our shareholders.

2018 will be the year when, acting within the applicable legal and regulatory framework, we intend to move forward in accordance with the best international business standards and indicators of the industry.

We aim to achieve a higher number of customer and to increase our business levels, and above all to strengthen our relationship with customers. We believe that the establishment of a strong and solid relationship with our customers, not only enhances their loyalty, but will also be reflected in a greater number of overall transactions. What is more, in 2018 we will be giving substance to our relational DNA, so that the customer inspires the essence and the core of our activity.

In terms of human resources, we will continue to promote a value-adding policy of our staff by focusing on training, while also promoting and encouraging their career development based on meritocracy.

Finally, on behalf of Moza's Board of Directors, I would like to express our gratitude and appreciation to all those who have contributed to the Bank's regained confidence and re-affirmation in the market. I would especially like to extend our thanks to our employees for the committed, professional and competent manner in which they have carried out their tasks. Furthermore, I would like to thank our customers for remaining confident even in the most difficult of times, and to our shareholders for their significant financial support in the recapitalisation of the Bank. Finally, I would like to thank the supervisory and government bodies for all their support in carrying through the Bank's stabilisation process.

I would like to express to all of you my gratitude, but also my commitment and determination to ensure that, with hard work, discipline and quality, we will be able to reposition Moza Banco as a leading institution within the Domestic Financial System.

Chairman of the Board of Directors

Dr. João Figueiredo

2. Key Indicators

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2.1. Key Indicators

in MZN thousands

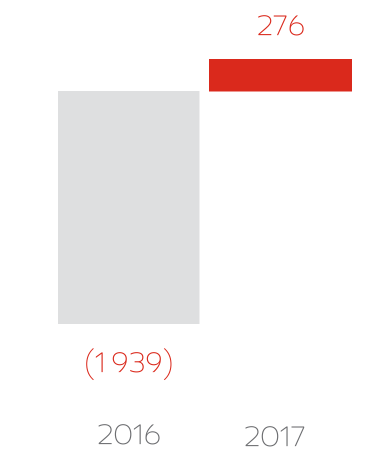
KEY INDICATORS	2016	2017	Chg. % 2017 - 2016
BALANCE SHEET			
Total Assets	27 672 824	26 675 998	(3,6%)
Loans and Advances tp Customers (Net)[1]	17 146 038	15 281 038	(10,9%)
Deposits from Customers	16 058 310	17 960 107	11,8%
Share capital	2 129 200	13 841 250	550,1%
PROFITABILITY			
Profit/(loss) before tax	(5 440 634)	(1 457 316)	73,2%
Operating income	524 310	2 467 330	370,6%
Return on Equity (ROE)	(211,33%)	(16,85%)	194,4 pp
Return on Assets (ROA)	(19,04%)	(5,47%)	13,5 pp
COMPETITIVE POSITION*			
Market share in loans to customers	6,75%	7,42%	0,67 pp
Market share in deposits	4,52%	4,74%	0,22 pp
Market share in assets	5,04%	4,97%	(0,06 pp)
CAPITAL ADEQUACY			
Tier I	(19,40%)	19,96%	39,3 pp
Capital Adequacy Ratio - Moza Banco	(98,88%)	23,46%	122,3 pp
Capital Adequacy Ratio - (Minimum) Required by Regulator	8,00%	9,00%	1 pp
LIQUIDITY			
Eligible Portfolio for Interbank Money Market (IMM) Operations	3 490 729	3 780 874	8,3%
Loan-to-deposit Ratio (Credit/Deposits)	119%	101%	(17,6 pp)
ASSETS QUALITY			
Total overdue loans	1 501 812	1 723 065	14,7%
Non-performing loans	1 980 050	2 947 332	48,9%
Overdue Loans >90 days /Loans to Customers	4,64%	9,04%	4,4 pp
Impairment on loans /Total overdue loans >90 days	226%	185%	(41,0 pp)
Impairment on loans /Total overdue loans	132%	171%	39,2 pp
Impairment on loans /Loans to customers	10,48%	16,72%	6,2 pp
EFFICIENCY			
Operating Costs	2 462 983	2 191 028	(11,0%)
External supplies & services	1 457 960	1 247 995	(14,4%)
Human resources	1 005 023	943 033	(6,2%)
Operating Costs/ Total assets (%)	8,9%	8,2%	(0,6 pp)
Cost-to-Income[2]	469,8%	88,8%	(380 pp)
External supplies & services/ Operating income	191,7%	38,2%	(153 pp)
Staff costs/ Operating income	278,1%	50,6%	(227 pp)
BUSINESS INDICATORS			
Bank Branches	55	53	(3,6%)
No. of ATMs	108	109	0,9%
No. of POS terminals	2 623	3 094	18,0%
No. of Employees at end of period	731	732	0,1%
No. of Customers	102 877	116 105	12,9%
Network cards	82 430	89 489	8,6%

* Source: Bank of Mozambique statistical information, December 2017
[1] Net impairment loands and advances from customers
[2] Not including depreciation

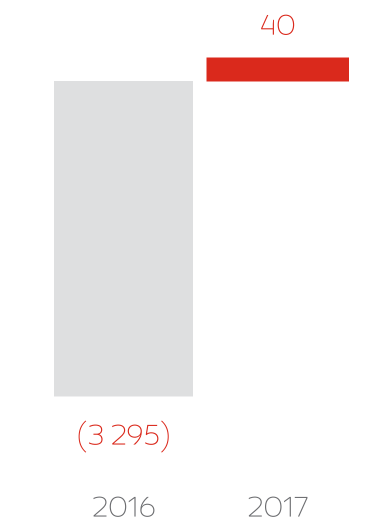
2.2. Key Highlights

PROFITABILITY

Gross Operating Income
(Millions MZN)

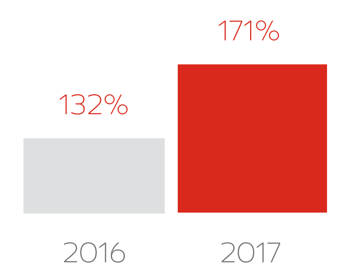


Operating Income
(Millions MZN)

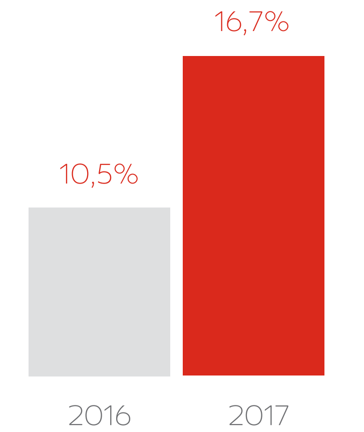


ASSETS QUALITY

Non-performing loans/ Total overdue loans

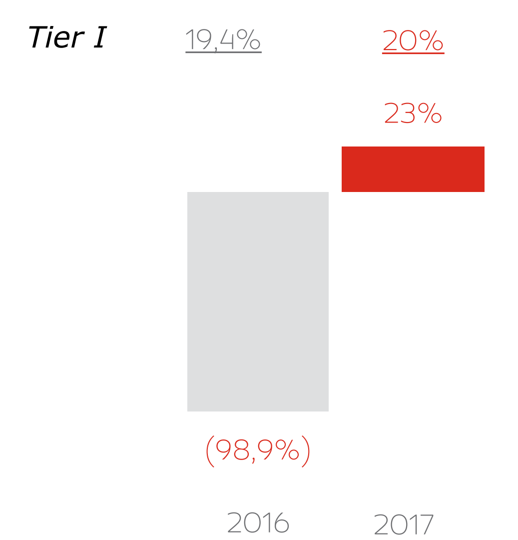


Non-performing loans/Total loans portfolio

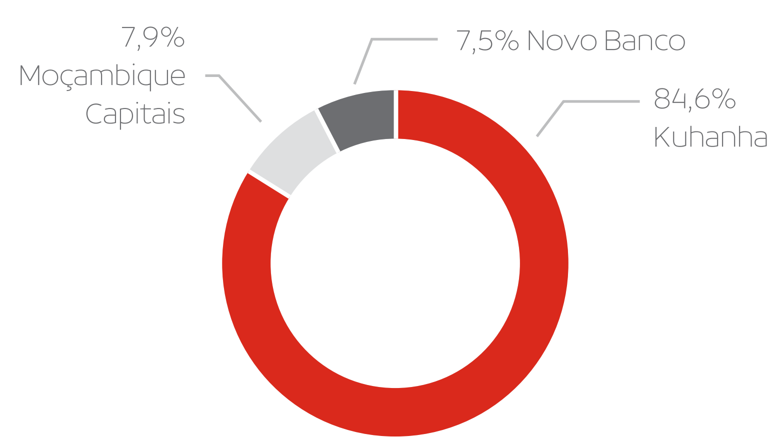


EQUITY AND FINANCIAL SOUNDNESS

Capital Adequacy Ratio



Shareholder structure after increase of share capital



3. Moza Banco

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3. Moza Banco

Moza Banco, S.A. (hereinafter referred to as "Moza Bank", "Moza" or "the Bank") is a private commercial bank, operating in the Mozambican market since June 2008, which provides banking services throughout the country, based on a network of 53 bank branches (3rd largest network of agencies in the Mozambican banking system), offering products and services to customers from different market sectors.

In 2017, a new national investor, Kuhanha, became part of the Bank's shareholder structure, following the successful recapitalisation process, which, on 28 July 2017, led to the completion of the Bank of Mozambique's intervention in Moza. The Bank's shareholders currently are "Kuhanha - Sociedade Gestora do Fundo de Pensões" do Banco de Moçambique, Moçambique Capitais, S.A., Novo Banco África S.G.P.S, S.A. (Portuguese bank) and Dr. António Almeida Matos.

The year of 2017 will remain an important date in Moza's history as the beginning of Moza's re-foundation cycle, and identified as the period when the Bank laid the foundations for the sustainable growth and high quality standards of its business model.

Currently Moza Banco is a capitalised institution, structurally sound financial institution, compliant with prudential ratios, safe for its individual depositors, with high levels of resilience against financial stress events that may occur on the market.

In June 2017, with the approval of the 5-Year Strategic Plan (2017-2021) by its shareholders, Moza secured its competitive position in the market, and is currently one of the top five largest banks operating in Mozambique, with the following market shares: 4.97% Assets, 7.42% Loans and 4.74% Deposits.

It should also be noted that the Strategic Plan was submitted by Kuhanha as part of the Bank's recapitalisation process and was assessed by the Bank of Mozambique and approved by the Bank's shareholders at an Extraordinary General Meeting.

> "The year of 2017 will remain an important date in Moza's history as the beginning of Moza's re-foundation cycle, and identified as the period when the Bank laid the foundations for the sustainable growth and high quality standards of its business model. "

Main Historical Milestones

2010

In 2010, KPMG rated Moza Banco the fastest growing financial institution in Mozambique in terms of turnover;

2011

In 2011, Banco Espírito Santo África (BES África), now Novo Banco África, became part of the Moza shareholding structure with 25.1% of the share capital, while Moçambique Capitais (the founding shareholder) maintained its position as the largest shareholder, holding 51%. Also in 2011, the reputable and renowned magazine, "The Banker", ranked Moza Bank as Africa's fifth fastest growing bank in terms of assets;

2013

In 2013, the shareholder BES África (now Novo Banco África) acquired a further 23.9% of Moza's share capital, holding 49%, and a 5-Year Strategic Plan was approved with the objective of expanding Moza Banco at the top of the Mozambican financial system. The approved Plan was based on four main cornerstones: excellence in service, gradual universal positioning, a top ranking and market-aligned profitability;

2014

In 2014, the prestigious publication 'Global Banking and Finance Review' named Moza the fastest-growing commercial bank operating in Mozambique in 2014;

2015

In early 2015, the prestigious magazine, Banker Africa, regarded Moza as the most innovative bank in Southern Africa. The Bank secured total national coverage, with a total of 45 Bank Branches, a network of 83 ATMs and 1,587 POS, with 56,692 cards (debit and credit) and a total of 74,567 customers in all provinces of Mozambique. At the end of 2015, as a result of the economic climate and its adverse financial performance, the Bank showed the first signs of decreasing economic and financial stability;

2016

In September 2016, as a result of continued deterioration in the Bank's economic, financial, and prudential indicators, the Bank of Mozambique intervened in Moza Banco to protect the interests of individual depositors and stakeholders. It appointed a Provisional Board of Directors to take the necessary actions for the recovery of business activity and to restore confidence in the Bank within the sector and the market;

2017

In June 2017, as part of the Bank's recapitalisation process, Kuhanha (the Bank of Mozambique's Pension Fund Management Company) became part of the Bank's shareholder structure, injecting MZN 8,170 million in its share capital. It should be noted that after the capital increase, Moza Banco re-established its levels of prudential ratios, and on 28 July, 2017 the regulator called an end to the extraordinary measures imposed on Moza Banco.

– It should be stressed that throughout the 'intervention' the Bank never failed to honour and fulfil all of its commitments to customers, suppliers, employees and other stakeholders.

In June 2017, the Bank's shareholders approved the implementation of the Strategic Plan for the period 2017-2021.

In December 2017, Moza Banco shareholders carried out a further capital increase of MZN 3,542 million, thus providing greater resilience and sustainability to Moza's business model, in line with that embodied in the Strategic Plan 2017- 2021.

4. Main Events

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4. Main Events of 2017

The financial year 2017 was scarred by a set of milestones as part of the Bank's recapitalisation process, and actions aimed at increasing the partnership between Moza and various national and international institutional players to strengthen the Bank's customer reach. Among the various events and developments, the following should be highlighted:

JANUARY

Extraordinary Shareholders' General Meeting (EGM) which approved an increase in capital of Eight Thousand, One Hundred and Seventy Million Meticais (MZN 8,170,000,000).

FEBRUARY

Opening of the Chicuacuala Branch, the first bank branch in this district of the Gaza province, as a result of compliance with the Bank of Mozambique Directive (Notice 01/GBM/2015), which establishes the criterion that for three (3) new branches that the Banks intend to open, one (1) of them must be in a district devoid of banking institutions, from among several places selected by the Bank of Mozambique.

MAY

Announcement of Kuhanha, Sociedade Gestora do Fundo de Pensões do Banco de Moçambique, as the entity chosen for the recapitalisation of Moza.

Brief Background:

On 5 December, 2016, the Bank of Mozambique appointed an Assessment Committee to conduct the recapitalisation process of the financial institution, which comprised the Chairman of the Moza Provisional Board of Directors, a representative from the Bank of Mozambique and another from the International Financial Corporation (IFC), a World Bank Group entity. As a result of the work carried out, Kuhanha was the entity selected by the Bank of Mozambique to recapitalise Moza Banco for the amount of MZN 8,170 million.

JUNE

Increase in share capital of MZN 8,170,000,000, so that the shareholder structure of Moza Banco is now comprised as follows: Kuhanha (79.33%), Moçambique Capitais (10.54%) and Novo Banco Africa SGPS SA (10.13%).

Holding of a Shareholder's General Meeting in which the new corporate bodies were approved, as well as a new strategic action plan in the market for the period 2017-2021. This event marked the end of the Bank of Mozambique's intervention in Moza, and the beginning of a new cycle in Moza's history.

NOVEMBER

Holding of an Extraordinary General Meeting at which a new increase in share capital of MZN 3,542,050,000 was unanimously approved (approximately USD 59 million), with a view to strengthening the Bank's strategic and commercial positioning.

DECEMBER

Subscription and paying-up of the share capital increase, consolidating Moza Banco's position as the largest Bank in terms of share capital and one of the largest in equity, with the Bank's shareholder structure now as follows: Kuhanha (84.62%), Moçambique Capitais (7.85%) and Novo Banco Africa SGPS SA (7.54%).

SUBSEQUENT EVENTS

OPENING OF TWO NEW BANK BRANCHES

Opening of two new bank branches in January 2018, namely the Lichinga branch in the provincial capital of Niassa and the Dondo branch in Sofala province. With the opening of these branches, Moza consolidates its status as the bank with the third largest branch network, currently operating 55 Bank Business Units distributed throughout the country's provinces.

SIGNING OF AN AGREEMENT WITH THE TRANSPORT AND COMMUNICATIONS DEVELOPMENT FUND

As part of its Social Responsibility policy, on 31 January, 2018, Moza signed a partnership agreement with the Transport and Communications Development Fund (FTC), with a view to strengthening public passenger transport in the country's main cities. The agreement also stipulates that buses will now carry the Moza brand and image nationwide.

SIGNING OF A MEMORANDUM OF UNDERSTANDING BETWEEN KUHANHA AND ARISE FUND

Moza Banco's leading shareholder, KUHANHA SA, signed a Memorandum of Understanding with ARISE FUND, for the entry of this investor, a leader on the African continent, into Moza's share capital, with a minority stake in the shareholder structure.

Under the terms of the agreement, the parties are to promote sustainable growth at Moza Banco, for the consolidation and growth of the institution within the Mozambican banking system, increasing its contribution to Mozambique's development.

"MOST IMPROVED BANK" AWARD

Moza was recognised by Banker Africa, the prestigious specialist publication in the financial sector, as the "Most Improved Bank", under the Southern Africa Banking Awards 2018. The Award recognises the strong recovery of the Bank's financial and prudential indicators, supported by an effective recapitalisation strategy.

> "Moza Banco's leading shareholder, KUHANHA SA, signed a Memorandum of Understanding with ARISE FUND, for the entry of this investor, a leader on the African continent, into Moza's share capital"

5. Shareholder Structure and Corporate Bodies

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5.1 Shareholder Structure

In 2017, as part of the Moza Banco recapitalisation process, there were changes in the Bank's shareholder structure, in particular the entry of the "Kuhanha - Sociedade Gestora do Fundo de Pensões" do Banco de Moçambique into the shareholder structure.

SHARE CAPITAL INCREASE

On 23 January, 2017, Moza's Shareholders' General Meeting approved an increase of Eight Thousand, One Hundred and Seventy Million Meticais (MZN 8,170,000,000) in order to ensure compliance with the prudential ratios.

In June 2017, as a result of the Bank's recapitalisation process and in compliance with the General Assembly resolution of 23 January 2017, a new national investor, Kuhanha, became part of the Bank's shareholder structure with a capital contribution of MZN 8,170,000,000, marking the beginning of a new phase, the rebuilding and revitalisation of Moza.

With this capital increase, Kuhanha now holds 79.33% of the company, Moçambique Capitais 10.54% and Novo Banco 10.13%.

Furthermore, to ensure compliance with prudential ratios in the light of the Central Bank's recent requirements and as a sign of credibility vis-à-vis customers and financial markets, focusing on the long-term viability of the Bank's activity, Moza Banco shareholders made a further capital increase of MZN 3,542,050,000 in accordance with the resolution of the Extraordinary Shareholders' Meeting held on 6 November, 2017.

It should be noted that the increases in Moza Banco's share capital in 2017 are part of the Bank's recapitalisation process and are aimed at ensuring the implementation of the Strategic Plan (2017-2021) approved by the shareholders; this allows the Bank to strengthen its strategic and commercial position, and maintain a commitment to the development of the domestic financial system in general and the Mozambican economy in particular, in accordance with the best international practices of prudential and risk management.

" The increases in Moza Banco's share capital in 2017 are part of the Bank's recapitalisation process and are aimed at ensuring the implementation of the Strategic Plan (2017-2021)."

SHAREHOLDER STRUCTURE

Following the capital increase operations, totalling MZN 11,712,050,000, Moza Banco now has a share capital value of MZN 13,841,250,000, which is represented by 553,650 shares all fully subscribed and paid up.

As a result of the capital increase, the current shareholder structure stands as follows:

Shareholders	Number of Shares	Nominal Value (In Meticais)	Percent of Share Capital
Kuhanha S.A	468.482	11.712.050.000,00	84,617%
Moçambique Capitais, S.A	43.435	1.085.875.000,00	7,845%
NB ÁFRICA, SGPS, SA	41.732	1.043.300.000,00	7,538%
António Matos	1	25.000,00	0,000%
Moza Banco	553.650	13.841.250.000,00	100%

With regard to the geographical distribution, on 31 December 2017, the proportion of Mozambican Shareholders is clear, representing 92.46% of the total number of shares, showing that Moza remains a predominantly Mozambican financial institution.

	No. shares (%)
Mozambique	92,46%
Portugal	7,54%
Total	100,00%

It should be noted that the capital increase carried out in 2017 allowed Moza Banco to achieve strong financial stability levels, considered adequate to cover the current and future risks to which the Bank's activity may be subject.

5.2 Corporate Bodies and Governance Model

SHAREHOLDER STRUCTURE

The Shareholders' General Meeting, the Supervisory Board, the Board of Directors and the Executive Committee are Moza Banco's corporate bodies. Moza's corporate bodies are elected at the Shareholders' General Meeting for three-year terms.

It should be highlighted that, following the intervention on 30 September 2016, Moza Banco was managed until 28 July 2017 by an Interim Executive Board of Directors appointed by the Bank of Mozambique to bring the Bank's financial and prudential situation to normal.

Of note is the fact that, after the first capital increase of MZN 8,170 million, the Bank re-established the levels of prudential ratios and on 28 July, 2017, the regulator called an end to the extraordinary reorganisation measures imposed on Moza Bank. On the same date, the Bank's shareholders at the General Meeting appointed the new corporate bodies to exercise their functions in the three-year period 2017/2019, with the Bank operating normally with its own bodies.

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At 31 December 2017, the composition of the corporate bodies of Moza Banco stood as follows:

Shareholder's General Meeting
Chair - Lourenço Joaquim da Costa Rosário
Vice-Chair - Maria Violante Jeremias Manuel
Secretary - Sara Mondego Marques

Supervisory Board
Chair - Venâncio Matsotsombane Chirrime
Member - Sariel Amosse Nhabinde
Member - Maria de Jesus Matola Langa
Alternate Member - Maria Lúcia Zacarias

Board of Directors
Chairman /CEO - João Filipe de Figueiredo Júnior
Executive Member - Vítor Manuel Latas Brazão
Executive Member - Manuel Duarte Emauz de Vasconcelos Guimarães
Member (Non Executive) - Yasmin Meherji Patel
Member (Non Executive) - Filipe Pedro Martin Ferreira

GOVERNANCE MODEL

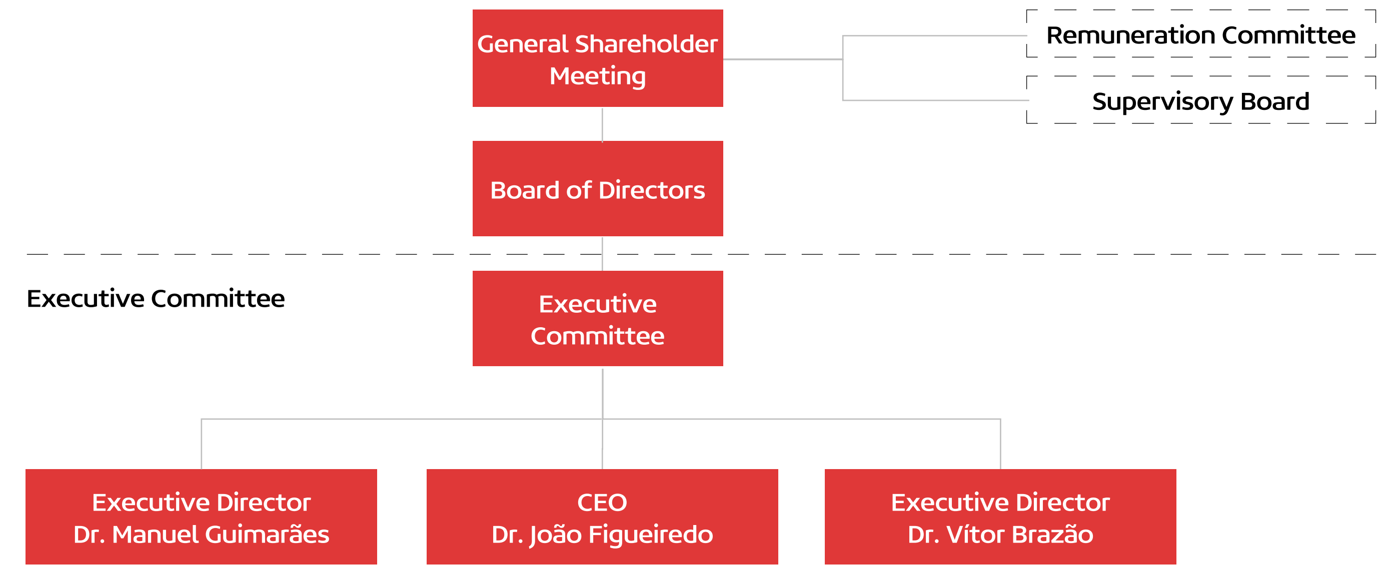
As the Bank's highest body, the General Meeting represents all the Shareholders, and its resolutions are binding on all of them when adopted in accordance with the law and by-laws.

Moza follows a governance model in which responsibility for overseeing the company is assigned to the Board of Directors, which delegates day-to-day management to the Executive Committee, with the Supervisory Board exercising an audit function. Currently, the Chairman retains the functions of an executive and also chairs the Executive Committee.

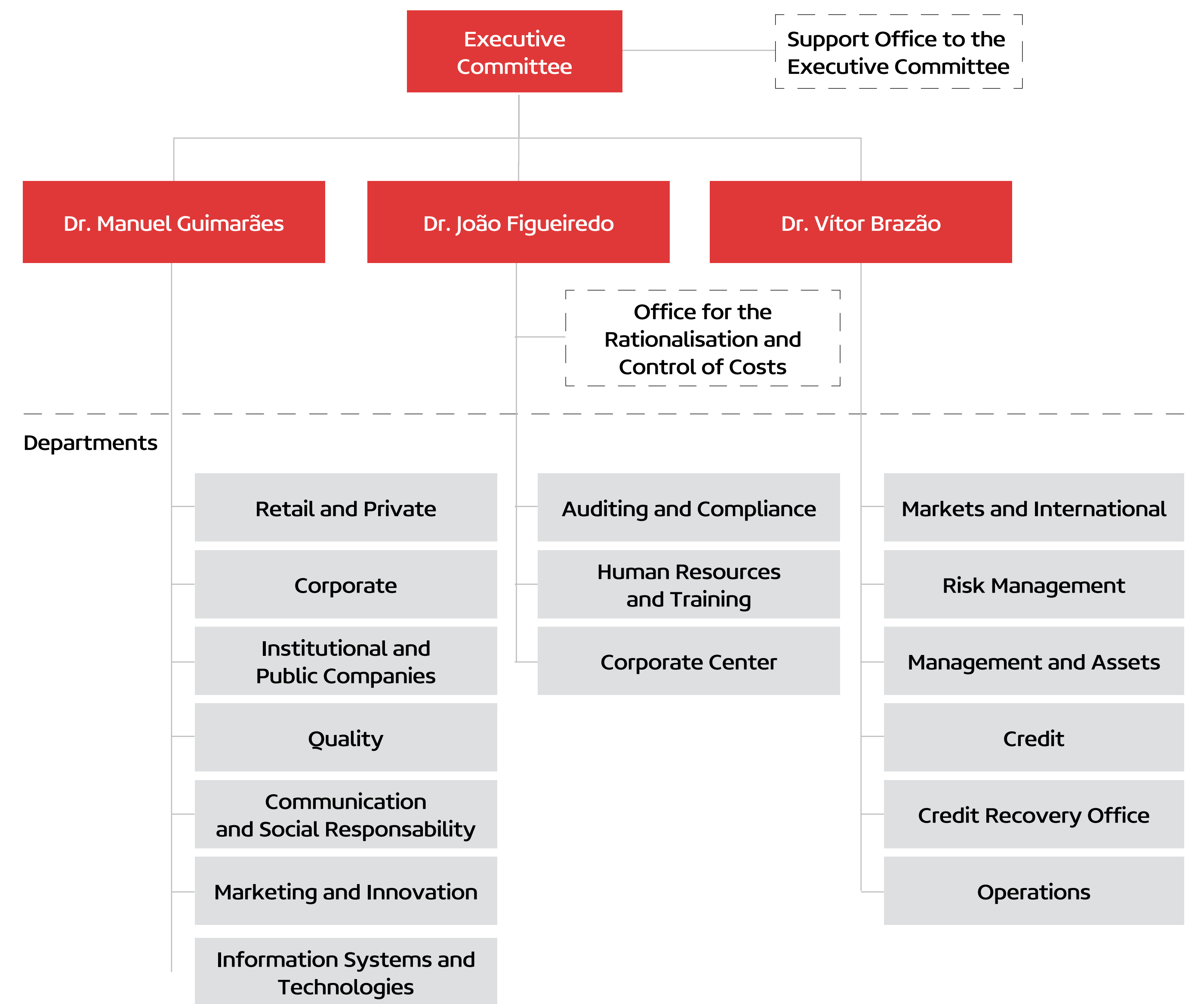
In addition, it is incumbent upon the Board of Directors to appoint the Company Secretary, and the duration of his/her functions matches the term of the Board of Directors that appoints him/her. He/she is responsible, among other activities assigned to him/her, to guide and support the Bank's corporate bodies in matters of corporate, legal and administrative governance, in addition to providing support to the meetings of the Board of Directors and other governing bodies.

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

The organisational structure of Moza Banco at the end of 2017 was as follows:



The division of powers and responsibilities among the members of the Executive Committee for the different Bank Departments is as follows:



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5.2 Corporate Bodies and Governance Model

ORGANISATIONAL ADJUSTMENT: RELEVANT CHANGES

During the second half of 2017, the Bank changed its organisational model to make the institution more flexible in responding to the current and future challenges imposed by the Strategic Plan 2017-2021. The aim was to achieve better optimisation of processes and productivity, cost rationalisation and control, distribution network optimisation, creation of a focused and specialised offer, improvements in the quality of the Bank's assets by reducing the non-productive asset base and the provision of high quality services to customers.

This led to the creation of the Office of Cost Control and Rationalisation, the Quality Department, the Debt Recovery Department and Corporate Centre (which includes the Finance Department, Legal Department and the Bank's General Secretariat). In addition, the Risk and Compliance Department was split up, giving rise to the Risk Management Department, and the merger of the Internal Audit and Compliance functions (Audit and Compliance Department).

At the same time, the Executive Committee Support Office was created, composed of two members, who are responsible for directly managing the organisational unit attached to the role of Executive Director. At 31 December, 2017, members of the Executive Committee Support Office were responsible for the direct management of the Quality, Information Systems and Technologies Departments, Office of Cost Rationalisation and Control, Human Resources, Credit, Loan Recovery and Operations.

The changes in the Bank's organisational structure show that Moza Banco is prepared to face the new challenges presented by the economy, our business fabric and society in general.

In order to support and advise the Bank's current management in an efficient manner, the Executive Committee created some committees that, in addition to the Executive Directors, permanently include several first-line Managers.

> "During the second half of 2017, the Bank changed its organisational model to make the institution more flexible in responding to the current and future challenges imposed by the Strategic Plan 2017-2021."

At 31 December 2017, the Bank had the following functional committees:

MANAGEMENT BOARD

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

ASSETS AND LIABILITIES COMMITTEE (ALCO)

The consultative body of the Executive Committee for the implementation of the financial policy defined for the Bank, its mission is to ensure that actions are implemented in accordance with standards and procedures and that market risk (foreign exchange, interest rate and repricing risk) and liquidity risk are managed effectively. It helps formulate pricing policy through timely assessment of national and international macroeconomic developments.

RISK COMMITTEE

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

IT COMMITTEE

Advisory body, whose main function is to monitor the developments requested of the Information Systems and Technology Departament (DSTI), aligning IT capacity with business requests, and allowing greater control over current developments. It aims to ensure that the Bank's strategic IT priorities are met, to provide status and control of ongoing DSTI actions, to ensure the alignment of actions with portfolio visibility, and to overcome barriers to day-to-day IT management (prioritisation).

CREDIT COMMITTEE

Advisory body responsible for deciding the main credit transactions in which the Bank takes part, in accordance with the risk and credit policies decided in-house by the Bank.

> "The changes in the Bank's organisational structure show that Moza Banco is prepared to face the new challenges presented by the economy, our business fabric and society in general."

6. Vision, Mission and Strategy

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6.Vision, Mission and Strategy

VISION AND MISSION

Moza Bank's vision is to be the leading bank in Mozambique for the provision of high-quality financial services to the Retail, Private Banking, Corporate and Institutional segments in accordance with the criteria of effectiveness, efficiency and profitability established by its shareholders and implemented by its management.

Its mission is to provide high-quality financial products and services with high standards of efficiency to its customers, aligning strategies to add value to them, and offering products and services that meet their needs.

Our values are founded on Knowledge, Rigour, Transparency, Customer Orientation, Integrity, Ethics, Innovation and a Pioneering Attitude.

STRATEGY

In June 2017, as part of the recapitalisation of Moza, the Bank's shareholders submitted a new Strategic Plan for the period 2017-2021, consisting of two phases, to be implemented by 2021.

- In the first stage of the cycle, the adjustment phase (2017 to 2018), the Bank's actions will focus on in-house training and a culture focused on commercial and core objectives, to increase productivity through optimising operations.
- The second stage of the cycle, the growth phase (2019 to 2021), will focus on improving service and quality levels to ensure the retention and loyalty of our customers and consequent profitability.

It should be noted that Moza's development and growth until 2021 will be supported by four pillars, namely:

1. Customer-focused relational model: Moza will become an institution with a new approach, by taking on a new identity, that of a 'Relational Bank', inspired by the customer as the centre of its strategic positioning.
2. Specialisation-focused offer: Moza will design an approach and differentiated offer around the different market segments.
3. Investment in innovation and technology: Innovation and the use of new technologies should be a permanent aspect of expanding our activity and service to the customer.
4. Quality and excellence of service: Service quality is to be a key pillar that should guide the Bank's performance. Moza's challenge from now on is not only to serve well, but to delight customers, and this will be the Bank's slogan.

Moza Banco will maintain its essence as a universal bank, with a diversified offer and a well-defined approach to each of its segments, favouring the use of appropriate technology and the distribution channels that best fit the institution's presence in the market.

The implementation of the Strategic Plan over the next five years will allow Moza to take its place back, playing a prominent role within the domestic financial system.

The focus on quality will be a defining factor for the Bank and justify the customer's choice.
The Bank size will be a natural consequence of its focus on the quality of services provided to customers.

In the first stage of the cycle, the main actions required for the successful implementation of the Strategic Plan are:

- Investment in human capital;
- Reduction in outsourcing;
- Increasing productivity (ensuring a culture based on merit and promotion based on professional merit and achievement of objectives);
- Recovery of liquidity levels;
- Revitalisation of the protocol and institutional partnership programme;
- Optimisation of the existing distribution network and channels;
- Cost reduction measures through contractual renegotiation with the various suppliers;
- Reduction of the non-productive asset base;
- Improvement in the quality of the Bank's credit portfolio, without prejudice to adequate levels of credit coverage being set up.

> "Moza Bank's vision is to be the leading bank in Mozambique for the provision of high-quality financial services to the Retail, Private Banking, Corporate and Institutional segments in accordance with the criteria of effectiveness, efficiency and profitability established by its shareholders and implemented by its management."

7. Social Responsibility

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7.1 Social Responsibility

During the course of 2017, in order to align Moza practices with the social responsibility requirements, and make them part of its management model, the following policies were approved:

SOCIAL RESPONSIBILITY POLICY

The Executive Committee approved Moza Banco's Social Responsibility Policy, an important tool that sets out the guidelines for incorporating socially responsible practices into the Bank's management. This includes various voluntary actions aimed at promoting beneficial development between the Bank, its employees, community and other stakeholders. With this new policy, the Bank now has a tool that enables it to build a relationship of excellence among all stakeholders, promoting an ethical and transparent dialogue, taking into consideration their expectations and needs, as well as the social, cultural, economic, political and environmental context.

MOZA VOLUNTEERING POLICY

Moza Banco's Volunteering Policy - "We are Volunteers", sets out the guidelines for the staff to take part in voluntary activities and aims to strengthen Moza's commitment to society through the direct action of its employees, as part of the Bank's sustainability framework, increasing the pride of its professionals in belonging to it by motivating them individually.

It should be noted that social responsibility has always been a priority for Moza, which is committed to the sustainable social and economic development of Mozambique. This commitment is shown through the many socially responsible activities, attitudes and actions the Bank has implemented or supported in recent years.

During the course of 2017 the following actions were worthy of note:

EXTERNAL AUDIENCE

PROMOTING SAVINGS

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

SUPPORT FOR RESEARCH AND KNOWLEDGE

Within the scope of its social and corporate responsibility, Moza supported the publication of the book '25 Years of Press Freedom in Mozambique (1991-2016): History, Course and Mishaps, by the renowned journalist and writer, Tomás Vieira Mário.

This publication was supported in recognition of the value of the arts and culture and their huge contribution to the communication of moral values, knowledge, habits and customs.

MOZA SOLIDARITY PROJECT – SUPPORT TO THE INGC

As part of their volunteering programme, Moza Banco employees made a financial donation to the National Disaster Management Institute (INGC) to strengthen the institution's capacity to respond to the floods, cyclones and natural disasters that regularly occur in Mozambique.

INTERACTION WITH STUDENTS FROM ESCOLA PORTUGUESA DE MAPUTO ('MAPUTO PORTUGUESE SCHOOL')

Moza hosted 10th grade students and teachers from the Portuguese School in Maputo, and gave them the opportunity to get to know about the bank's facilities, organisation, structure and operation.

Through this action Moza aims to strengthen its relationship with the community and promote financial literacy in young people by encouraging them to become interested in banking.

INTERNAL AUDIENCE

The mission of Clube Moza is to engage employees through the creation and promotion of actions and offer of services that promote the well-being and harmony of individuals with themselves and their bodies. This has an impact on empathy and success levels, and develops employees' relationship with each another.

Through the Clube Moza we promote sporting, cultural and recreational activities, as well as basic services of interest to our employees.

MAIN PROJECTS IN 2017

SPORTS

Moza Banco took part in the LIGA METICAL, a major event involving financial institutions across the country. Clube Moza encouraged employee participation in futsal and basketball competitions in the cities of Beira, Maputo, Inhambane, Nampula and Tete, noting with satisfaction the results achieved in both male and female events.

NEW ID OPERATION

This project aims to make it easier for our employees, spouses and dependants to obtain their Identity Card. For this purpose, we worked in partnership with the National Civil Identification Department (DNIC), which sent out a mobile brigade to issue Identity Cards. The event was attended by 389 people.

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CLUBE MOZA GALA

Clube Moza Gala is an exclusive event to present the activities carried out during the year and to consolidate partnerships which provide more benefits to employees. It is also an opportunity for celebration and interaction between directors and employees. The Gala spread a message from all employees around the country expressing a collective desire to strengthen morale based on the bank's most praiseworthy values.

MY SPACE – MY FUTURE

This project aims to enable mostly young Moza employees to have access to space/land to build their dwellings, taking into account the problem of homelessness by which the country's young population is affected. The Clube Moza, through partnerships with the Government, delivered 105 plots of land in Mbuva at a ceremony on Macaneta beach.

MOZA VOICE SHOW

This is an event where employees sing their favourite songs on stage accompanied by a professional band which identifies with and is committed to the cause.

This project was one of the main factors contributing to the recovery of employees' self-esteem at a very difficult stage in the Bank's history.

With this project, we were able to celebrate and bring together messages and values, to unite and socialise employees, as well as develop their personality, emotional balance and sociability. All this helped reinforce the idea that Moza Banco is back as a benchmark Mozambican bank, giving its employees the opportunity to express their cultural identities, which reflect the various dialects and cultures and the enormous talent of our people.

7.2 Sponsorship

In communicating the Moza brand in 2017, the following sponsorships should also be highlighted:

CELEBRATIONS OF THE 45TH ANNIVERSARY OF THE CITY OF MAXIXE

Moza Banco was a partner of Maxixe City Council in the celebrations of the 45th anniversary of Maxixe's promotion to city status. The celebrations involved a full programme of sports, cultural, culinary, literary and other events.

POLYTECHNIC'S 'BEST STUDENTS' AWARDS

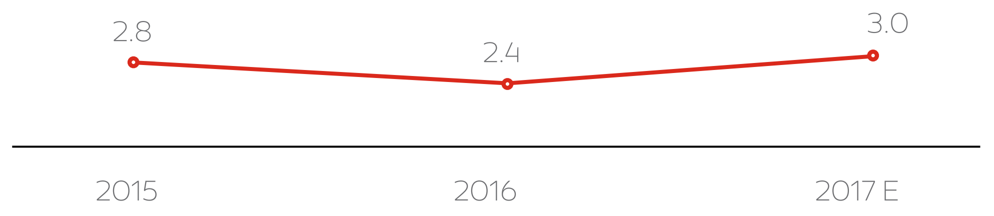
As part of its support for education and higher education and to recognise and encourage academic excellence, Moza awarded prizes to the best graduate students from the Polytechnic University in Maputo.

8. Macroeconomic Background

8.1 International Economy

Global economic activity (GEA) remains firm, with global GDP expected to reach 3.0% in 2017, a growth of 0.6 pp compared to 2016. This growth is supported by improvement in domestic production, leading to an acceleration of economic activity in some countries, such as: the United States, the Euro Zone, Brazil and Russia, thereby reversing the trend in 2016.

World Economic Growth (%)



Nota: E - Estimate
Source: World Bank - World Economic Prospects, January 2018

a) Developed Economies

According to the International Monetary Fund (IMF), economic activity in developed countries improved in 2017, reaching a growth rate of 2.3% compared to 1.6% in the same period the previous year. This was based on a recovery in the price of the main commodities traded on the international market (particularly oil, natural gas and coal), as well as a review of policies for controlling inflation. Although still being decided, the exit of the United Kingdom from the European Union (Brexit), coupled with a number of other risks that stuck out in 2017 (geopolitical tensions, political uncertainties and control of domestic prices), created uncertainty, mainly in the Euro Zone.

The North American economy (representing approximately 25.0% of the world economy) recorded growth of 2.3% in 2017, an acceleration in GDP (gross domestic product) compared to 2016 of 0.8 pp. The strength of the dollar and the recovery in the oil price helped the economy perform well in the first half of 2017. In the fourth quarter of the year, GDP was hurt by a fall in private investment. However, this was partially offset by exports and revised government spending.

"Economic growth in sub-Saharan Africa in 2017 witnessed modest recovery of 2.4%, corresponding to an increase in activity of 1.1 pp compared to 2016."

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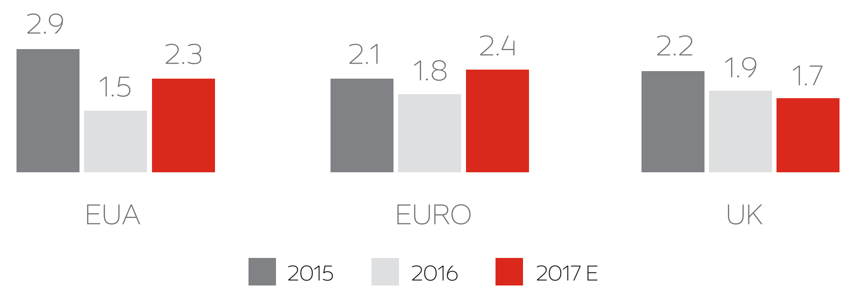
Economic growth in the Euro Zone at the end of 2017 stood at 2.4%, a remarkable improvement when compared to growth of 1.8% over the same period in 2016.

The UK economy grew by 1.7%, reflecting an annual GDP slowdown of 0.2 pp, which was affected by falling corporate investment and household consumption.

The data reflect the fact the 'Brexit effect' (victory of the 'yes' votes for the United Kingdom to leave the European Union), still in progress, continues to affect the country's economic performance.

Economic Growth of the DE (%)



Note: : DE - Developed Economies, E - Estimate
Source: World Bank - ***World Economic Prospects,*** January 2018

b) Emerging and Developing Economies and Sub-Saharan Africa

Emerging and developing economies (EDE) have generally improved their growth rates. Representing about 70% [1] of the world economy, they continue to show the full range of economic diversity. GDP in Brazil is up at around 1.0% (against -3.5% in 2016). This acceleration of activity was caused (I) by revised monetary and tax policies with impacts on the regulation of commodities prices, which in the year under review saw remarkable recovery, impacting on an improvement in inflation; (II) the flexibility of exchange rate policies, making adjustments to the shocks and/or inherent risks easier.

China, the world's second-largest economy, kept the growth levels of 2016 with GDP of 6.8 percent, remaining unchanged in the last three (3) years. The services sector was the main driver of economic activity, sustained by the significant recovery of trade flows in 2017, and more restrictive measures in the management of capital flows that helped to stem capital outflows and exchange rate pressures to reverse the reduction in International Reserves (IR).

The growth of Russia's economy was better than expected, with annual GDP growth of 1.7%, supported in part by oil prices that experienced a significant recovery compared to 2016.

Economic growth in sub-Saharan Africa in 2017 witnessed modest recovery of 2.4%, corresponding to an increase in activity of 1.1 pp compared to 2016. This was supported by an improvement, on the one hand, in the prices of raw materials, with a greater impact on the oil and metals exporting countries (Angola, Nigeria and South Africa) and, on the other, by the sharp increase in investment in infrastructure in other under-resourced countries.

[1] International Monetary Fund - World Economic Outlook, January 2018;

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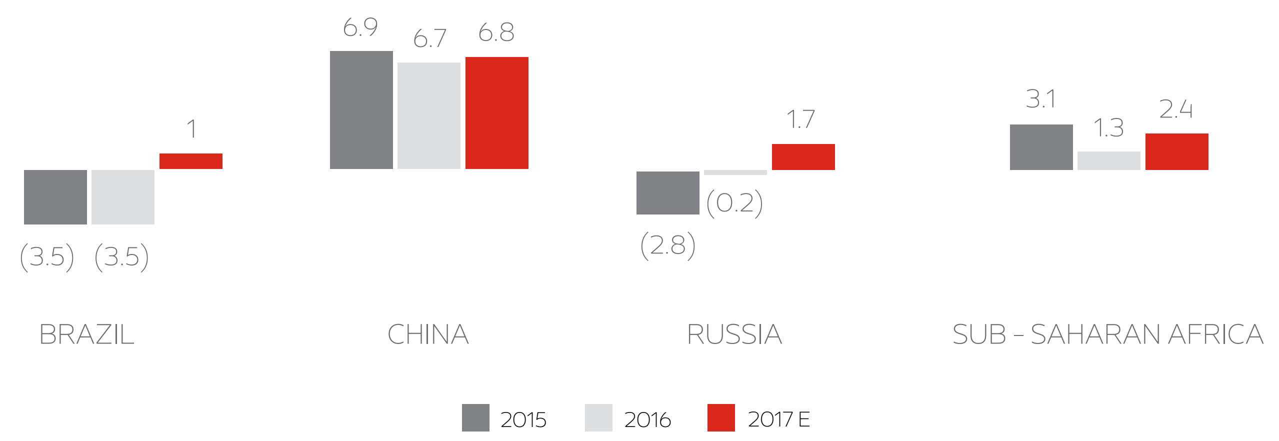
Economic Growth das EED (%)



Note: EDE - Emerging and Developing Economies, E - Estimate
Source: Banco Mundial - *World Economic Prospects, January 2018*

c) Prices of main commodities

Commodity prices continue to recover in the international market, recording positive growth in 2017, and contributing positively to growth in the world economy. Particularly noteworthy are the crude oil, natural gas and precious metals sectors which, in 2017, showed recovery after significant decline in the last two years.

Oil and natural gas prices increased in 2017, reflecting, on the one hand, higher aggregate world demand and, on the other hand, continued high levels of production (supply). For the great majority of the world's economies, which are oil and gas exporters, the rise in the prices of these commodities had a beneficial effect.

Oil was also influenced by OPEC countries' restriction of production which strengthened the United States, as well as by the restriction of supply mainly to the Chinese economy. On the other hand, importing economies continued to face marked difficulties in their fiscal positions, and still do, due to the scarcity of liquidity to meet the import needs for goods, in conjunction with the high US dollar price on the international market.

> "Commodity prices continue to recover in the international market, recording positive growth in 2017, and contributing positively to growth in the world economy."

Trends in Commodity Prices (2013 - 2017)

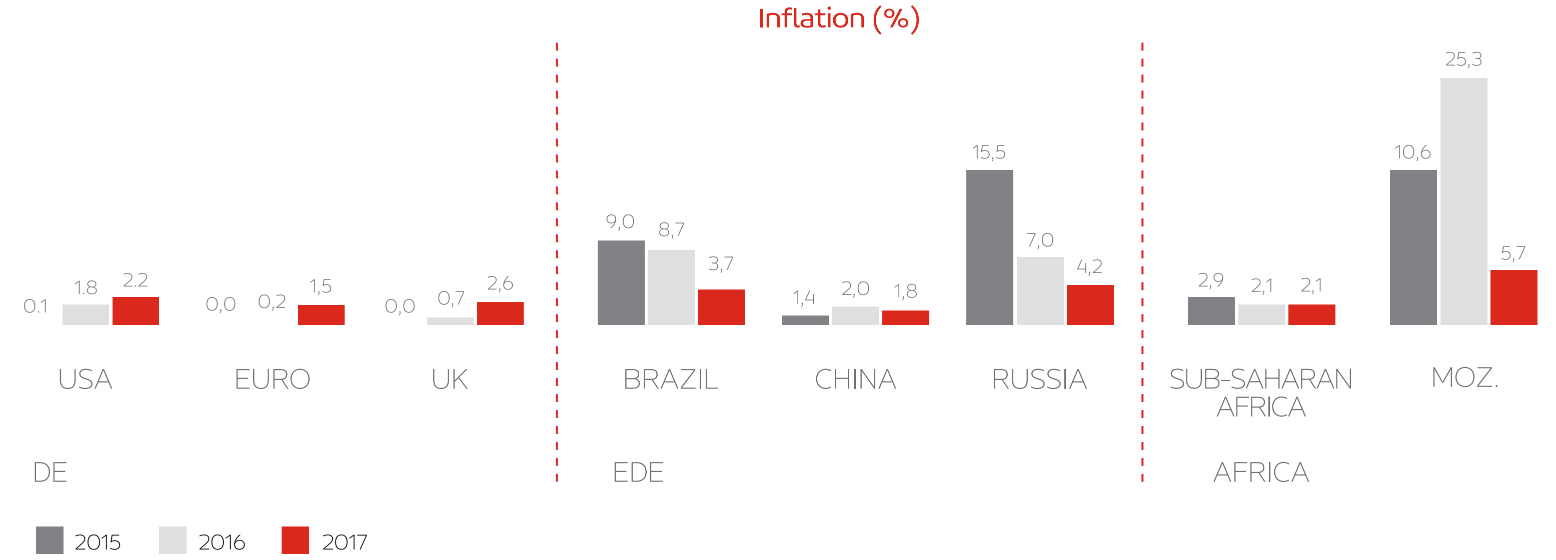
	Real					Δ Annual (%)	
Commodities	**Dec-13**	**Dec-14**	**Dec-15**	**Dec-16**	**Dec-17**	**Dec-16**	**Dec-17**
Brent Crude (USD/Barrel)	108,9	98,9	52,4	44,1	54,4	(16%)	23%
WTI Crude (USD/Barrel)	97,9	93,1	48,7	43,2	50,9	(11%)	18%
Aluminium (USD/MT)	1 846,7	1 867,4	1 664,7	1 604,2	1 967,7	(4%)	23%
Gold (USD/Ounce)	1 411,5	1 265,4	1 160,7	1 249,0	1 257,6	8%	1%
Gas (USD/Millions UTB)	3,7	4,4	2,6	2,5	3,0	(5%)	19%
Thermal Coal (USD/MT)	80,2	72,3	57,0	64,1	81,9	12%	28%
Corn (USD/MT)	259,4	192,9	169,8	159,2	154,5	(6%)	(3%)
Wheat (USD/MT)	276,7	245,2	206,4	176,3	178,2	(15%)	1%
Rice (USD/MT)	474,0	425,2	386,0	380,3	379,9	(1%)	0%
Sugar (USD/Kg)	0.5	0.5	0.6	0.6	0.6	11%	2%
Cotton (USD/Kg)	2,0	1,8	1,6	1,6	1,8	6%	12%
Tobacco (USD/MT)	4 588,8	4 990,8	4 908,3	4 806,2	4 731,6	(2%)	(2%)

Note: Prices based on yearly averages
Source: World Bank - ***Commodity Price Data, January 2018***

d) Inflation

In 2017, inflation levels slowed in most of the world's economies. The developed economies and the EU saw the same trend as in 2016, while the emerging and developing countries experienced a significant fall in inflation to levels very close to the deflationary thresholds. This scenario was similar to that of 2016, reflecting the pace of growth of the world economy in general, as well as a recovery in the prices of key commodities. Even so, Brazil and Russia continue to record the highest levels of inflation when compared to the larger economies.

Inflation (%)



Source: Novo Banco - Economic Research, 29 January 2018
INE - Consumer Price Index, December 2017

8.2 Domestic Economy

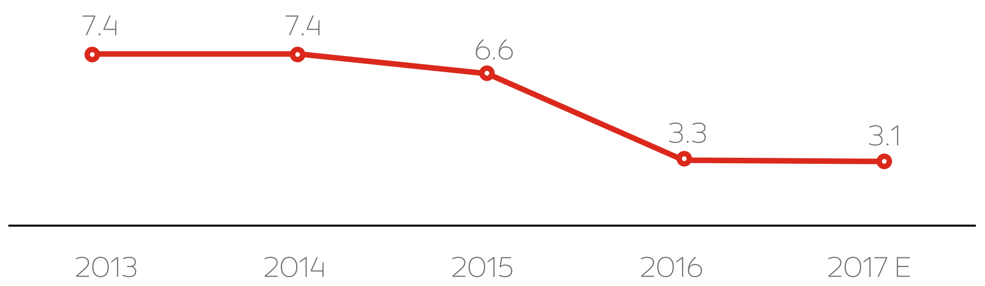
a) Economic growth

In 2017, the Mozambican economy recorded moderate economic growth when compared to the same period last year, with GDP increasing by around 3.1%, a slowdown of 0.02 pp compared to 2016. Economic activity remains weak, but the recovery of the agricultural sector, as well as robust growth in the mining industry, and in transport and communications, are offsetting other economic sectors.

The slowing of GDP in 2017 continues to be affected by the following factors: (I) the shock to the balance of payments as a result of the fall in foreign direct investment, (II) weak domestic production caused by the reduction in incentives to agriculture, (III) failure to complete the political and military tension process and the reduction in investment and state consumption as a result of the restrictive fiscal policy implemented after the suspension of foreign aid to the state budget by the international cooperation partners. This greatly restricted the performance of the country's economic activity in 2017, prompting the government to adopt containment policies.

The growth of the Mozambican economy in 2017 continued to be strongly influenced by the mining industry, construction and financial services, where even stronger growth was expected in view of the continued high levels of foreign direct investment, especially in the mining industry, with the start-up of projects in the natural gas sector.

GDP growth - Mozambique (%)



Source: December 2017, INE-National Statistics Institute

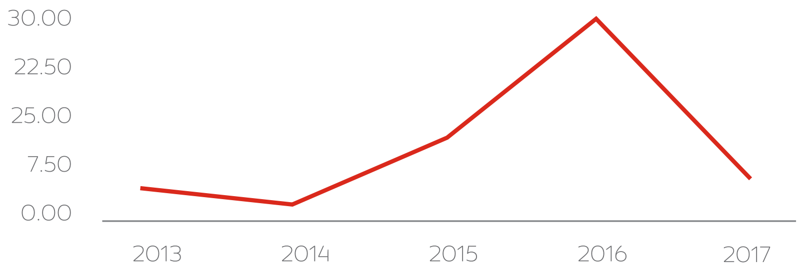
b) Inflation

In 2017, Mozambique recorded accumulated inflation of 5.65% (2016: 25.27%) and average annual inflation of 15.11% (2016: 19.85%), a marked slowdown after reaching historical levels in 2016, with the catering, housing, water, electricity, gas and transportation sectors being mainly responsible for the general price increase with a contribution of approximately 336 b.p.

The year under considerations featured price increases from January to April. From May to September prices fell, while in the last quarter the trend was again similar to the first four months of the year.

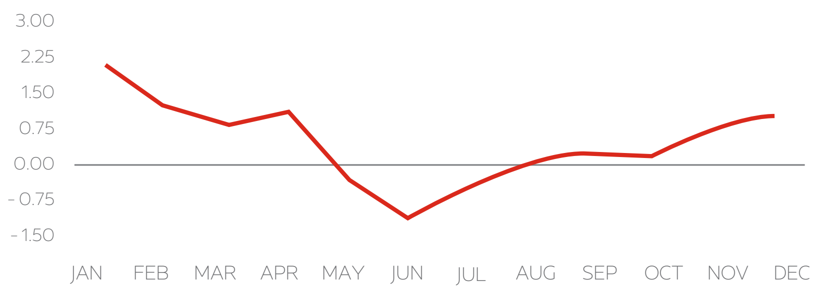
It should be noted that this trend is also associated with the rise of the metical against the main currencies traded in the economy, especially against the US dollar.

Change in Annual inflation (%)



Source: INE - Consumer Price Index, December 2017

Monthly Inflation (%) - 2017



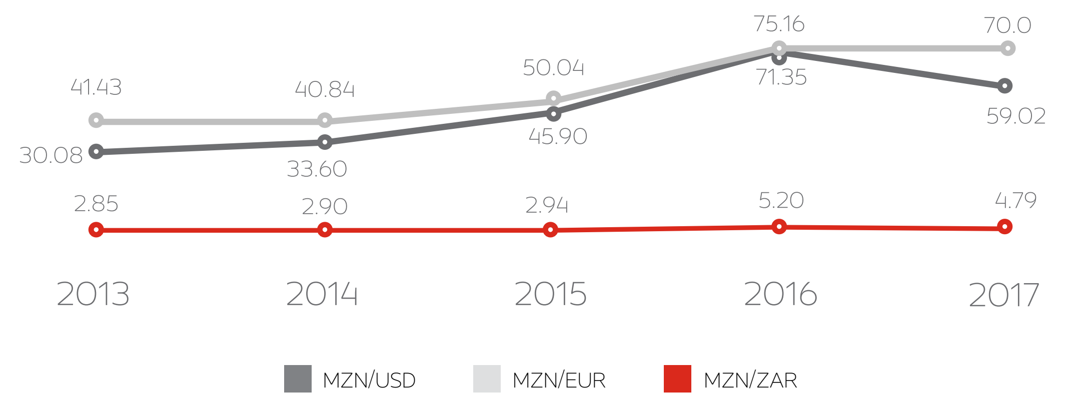
Source: INE - Consumer Price Index, December 2017

c) Exchange rate

The Metical posted strong growth in 2017, the reverse situation when compared to 2016.
Between December 2016 and December 2017, the nominal appreciation of the main exchange rates was as follows: (i) EUR/MZN: 6%; (ii) USD/MZN: 17%; and (iii) ZAR/MZN: 8%.

Exchange rates against the Dollar, Euro and Rand reached the close of the year levels of 59.02; 70.70; and 4.79 Meticais per currency unit respectively.

Exchange rate



Fonte: Bloomberg; Bank of Mozambique; and Moza Banco

The appreciation of the metical against the US dollar may have been caused by stability in the foreign exchange markets, reflecting the effect of the monetary policy measures that were taken during the year to control liquidity, together with measures to strengthen the market discipline and transparency.

The restrictive monetary policy measures adopted by the Bank of Mozambique (BM), coupled with improvements in the trade balance in the third quarter, helped to further reduce the foreign currency deficit in the domestic market. This relieved the pressure on Net International Reserves (NIR), and increased the deadline for import coverage to around seven months, compared with three months in 2016 (excluding large projects).

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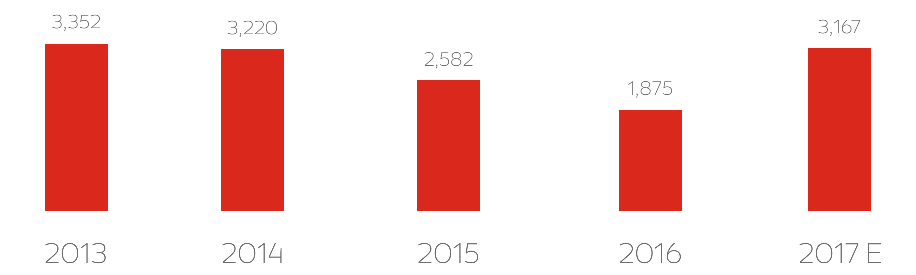
Net International Reserves



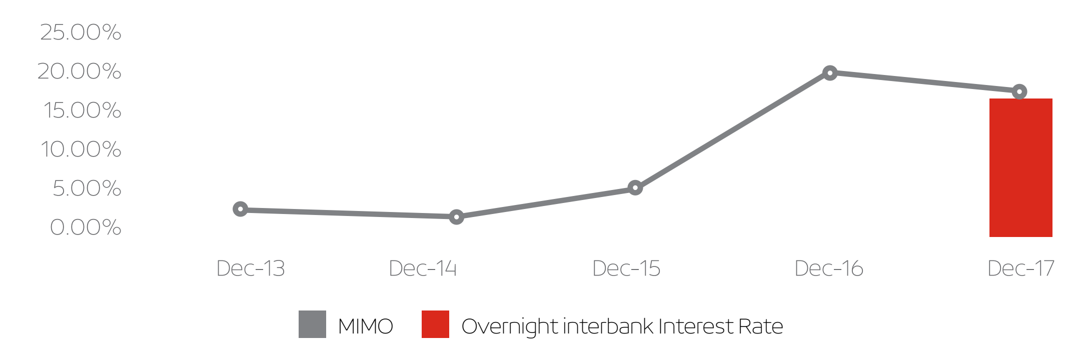
Source: Bank of Mozambique

d) Financial sector

In an ongoing effort to monitor economic and financial indicators and risk factors in 2017, the Bank of Mozambique (BM) introduced a number of additional measures to regulate financial activity to meet the challenges of the economy as a whole.

In May 2017, the Bank of Mozambique (BM) introduced the Monetary Policy Interest Rate (MIMO) as a benchmark for Interbank Money Market (MMI) operations, set at 21.75%. Until the end of December 2017, the rate was revised downwards to 19.50% (an annual reduction of 225 b.p.), thus tracking market dynamics.

Rates - MIMO & Interbank Money Market



Source: Bank of Mozambique

The Prime Rate was also introduced on 17 May, 2017, as a result of an agreement signed between the Bank of Mozambique (BM) and the Mozambican Association of Banks (AMB) representing credit institutions operating in the market. Features of this rate include a monthly update and disclosure, and the addition of a fixed cost spread of 600 bp. This measure aims to create more transparency in the prices of active operations and to further stimulate the private sector by boosting lending to the economy.

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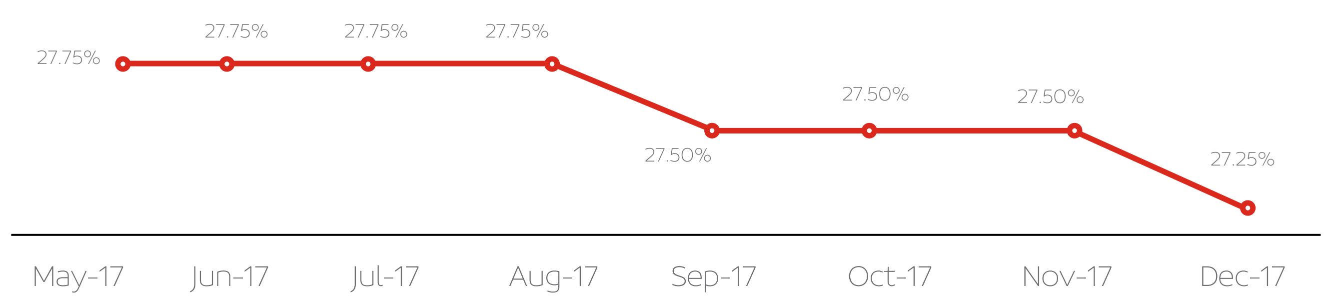
Charges in Prime Rate



Source: Bank of Mozambique

In December 2017, the Bank of Mozambique's Monetary Policy Committee decided, among other measures, to scale the interest rate on the Permanent Liquidity-Providing Facility (FPC) down to 20.50% and the Permanent Deposit Facility (FPD) rate down to 14.00%. The Mandatory Reserves (RO) were also changed to 14.00% for both domestic and foreign currency.

The reduction in the reference rates recorded in 2017 reflects clear action by the Bank of Mozambique to create incentives for private investment by stimulating credit to the private sector, which still remains stagnant, against an excessively long liquidity scenario in the market.

In December 2017, banking system assets reached MZN 536 thousand millions, representing a slowdown in annual growth of 6.3%, compared to 7.6% increase in 2016.

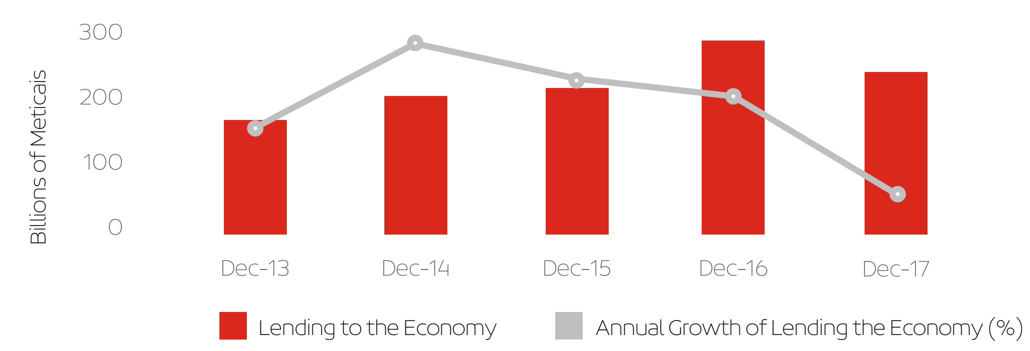
Trends in reference rates (2013-2017)

Financial Indicators	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Δ Annual (%)	
						2016	2017
Permanent Liquidity - Providing Facility (PLPC)	8.25%	8.25%	9.75%	23.25%	20.50%	13,50 pp	(2,75 pp)
Permanent Liquidity - Absorbing Facility (PLAF)	1.50%	1.50%	3.75%	16.25%	14.00%	12,50 pp	(2,25 pp)
Required Reserves	8.00%	8.00%	10.50%	15.50%	14.00%	5,00 pp	(1,50 pp)
Treasury Bills - 91 days	5.11%	5.37%	7.52%	24.32%	23.75%	16,80 pp	(0,57 pp)
Treasury Bills - 182 days	6.43%	6.62%	7.28%	27.47%	24.15%	20,19 pp	(3,32 pp)
Treasury Bills - 364 days	7.13%	7.25%	7.55%	28.84%	24.98%	21,29 pp	(3,86 pp)
Overnight Interbank Interest Rates	3.46%	3.11%	5.55%	23.16%	20.90%	17,61 pp	(2,26 pp)

Source: Bank of Mozambique

Total deposits grew by 5.8%, reaching MZN 370 thousand millions, representing a decrease compared to 2016 (10.6% growth). Similarly, the growth rate of lending to the economy was lower by about 30.6% compared to the same period in 2016, standing at -15.9% (2016: 14.8%), with a volume of MZN 233 thousand millions at the end of 2017.

Changes in lending to the economy



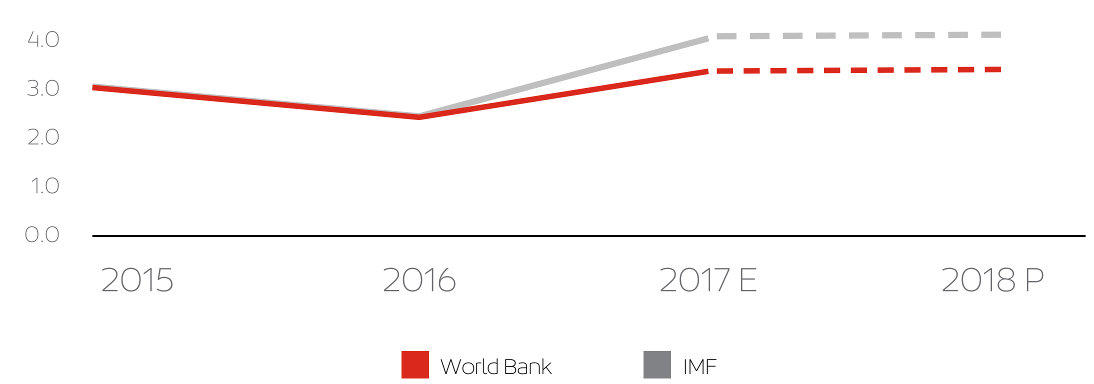
Source: Bank of Mozambique

8.3 Economic outlook for 2018

a) International Economy

According to the World Bank, global economic growth is expected to reach 3.1% in 2018 after a much stronger 2017 than expected. Investment in the manufacturing and trade sectors is expected to recover, and these will contribute significantly to exporting countries' economies. As the risks became more significant in the fourth quarter of 2017, the IMF estimates that global GDP will reach 3.7%, predicting the same scenario for 2018.

GDP World Economy (%)



Notes: E - Estimate, P - Projection
Source: World Bank - *World Economic Prospects, January 2018*
IMF – World Economic Outlook, January 2018

More moderate growth is expected in advanced economies in 2018, reaching 2.2%, a deceleration of 0.01 p.p. against the estimated 2.2 p.p. for 2017. This performance results from the fact that the Central Banks continue to review their monetary policies (more remarkable in the Euro Zone and the US), with strong measures against unemployment rates that have been increasing since 2017, although there is still a recovery and stabilisation of investment after the 2008 financial crisis.

Growth in the Emerging and Developing Economies as a whole is projected to increase to 4.5% in 2018, as activity in commodity-exporting countries continues to recover, especially oil, gas and coal.

Sub-Saharan Africa is expected to grow rapidly in 2018, with GDP expected to reach 3.2%, compared to 2.4% estimated for 2017. On the one hand, main commodity prices are expected to cause a strengthening of domestic demand, helping to reduce inflation, and, on the other hand, a continuous increase in private investment is expected to boost production and reduce the poverty rate.

GDP perspective - World Economy (In %)	2015	2016	2017 E	2018 P
World	**2.8**	**2.4**	**3.0**	**3.1**
Advanced Economies	**2.2**	**1.6**	**2.3**	**2.2**
USA	2.9	1.5	2.3	2.5
Eurozone	2.1	1.8	2.4	2.1
Japan	1.4	0.9	1.7	1.3
Emerging and Developing Economies	**3.6**	**3.7**	**4.3**	**4.5**
Russia	(2.8)	(0.2)	1.7	1.7
Brazil	(3.5)	(3.5)	1.0	2.0
Sub-Saharan Africa	3.1	1.3	2.4	3.2

Source: World Bank - *World Economic Prospects, January 2018*

Risks to global growth have become more balanced, following a stronger-than-expected cyclical recovery in 2017. However, a further increase in investment growth in the major economies could strengthen the recovery, whose positive effects would benefit trading partners. Nevertheless, risks remain mostly in the medium term, with the downside of interest rates and the volatility of financial markets being at exceptionally low levels; besides, any prospect of sudden shifts in market sentiment or unexpected policies may lead to significant financial instability, with the rise of trade protectionism and geopolitical tensions, which may interrupt the recovery of economies. A sharp long-term slowdown in potential output growth could reduce the resilience of the global economy to adverse shocks, with a negative impact on gains in living standards and poverty reduction.

Added to this scenario are the uncertainties remaining around the completion of negotiations on the exit of the United Kingdom from the European Union (Brexit).

b) Domestic Economy

Efforts to achieve tax consolidation will proceed in 2018, through improved domestic revenues (supported by an increase in domestic production resulting from improvements in agricultural marketing and the expansion of the mining industry) and the rationalisation/containment of public expenditure (a restrictive fiscal policy with tax increases).

In monetary terms, as a result of maintaining the downward trend of the inflation rate and exchange rate stability, it is expected that Bank of Mozambique (BM) policy in 2018 will be to reduce its key rates. As a result, economic activity in 2018 will continue to be affected by the restrictive economic plan, adverse weather conditions (forecasts of floods across the country with the greatest impact on urban centres), the current unfavourable business environment in Mozambique and, above all, by the continued suspension of State Budget Support by the main international partners.

Some challenges and constraints to the Mozambican economy should be highlighted:

i) Despite a significant qualitative leap in the last decade towards real convergence with other SADC members, the economy continues to be characterised by weak specialisation patterns linked to our traditional industries;

ii) There are still few competitiveness clusters resulting from competitive advantages based on low labour costs and the existence of natural resources (agricultural, forestry and mining sectors);

iii) There is also a lack of competitiveness and, perhaps, the survival of agriculture, since its productivity level is the lowest in SADC. This results in very low wage levels, in addition to a high level of external and internal indebtedness, which may jeopardise the future growth of the economy;

iv) In addition, public expenditure management is too lax and the average level of consumption is above the standard of living in terms of gross domestic product (GDP);

v) Of note in this analysis is the government's bureaucratic model, which has proved unable of carrying out the necessary reforms in the justice, health and education systems, which still fail to operate effectively. The necessary reforms continue to be made only according to the deadlines and demands imposed by the international community, namely the IMF and the World Bank.

On the economic front, the strengthening of the process of privatisation, the maintenance of fiscal and wage discipline, the control of inflation and the stability of the Metical must be underlined; however Mozambique must also make a strong commitment in the fight against corruption. This combination of critical factors will be decisive and represent 'a great national purpose'.

"In monetary terms, as a result of maintaining the downward trend of the inflation rate and exchange rate stability, it is expected that Bank of Mozambique (BM) policy in 2018 will be to reduce its key rates."

9. Business Support Activities

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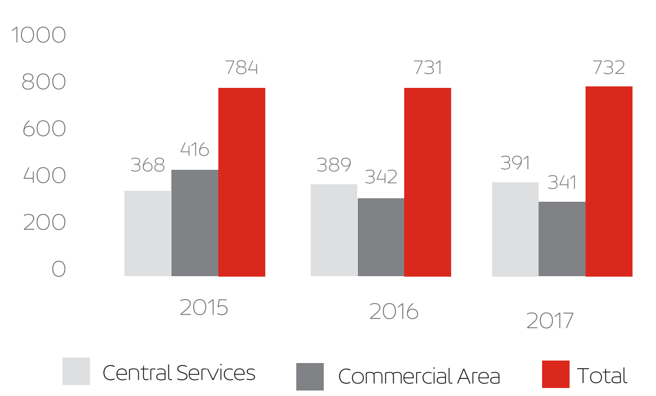
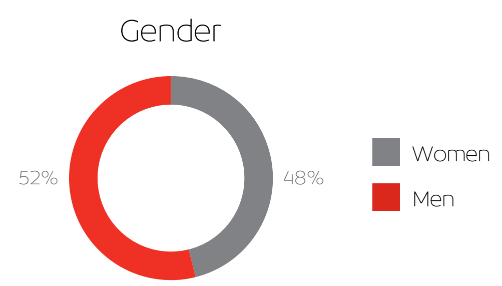
9.1 Human Resource Management

After successive years of significant growth in its personnel, and in line with the strategic guidelines leading to a better streamlining of its human capital potential, Moza Banco has undertaken a paradigm shift in the implementation of its Human Resources Management Policy since 2016.

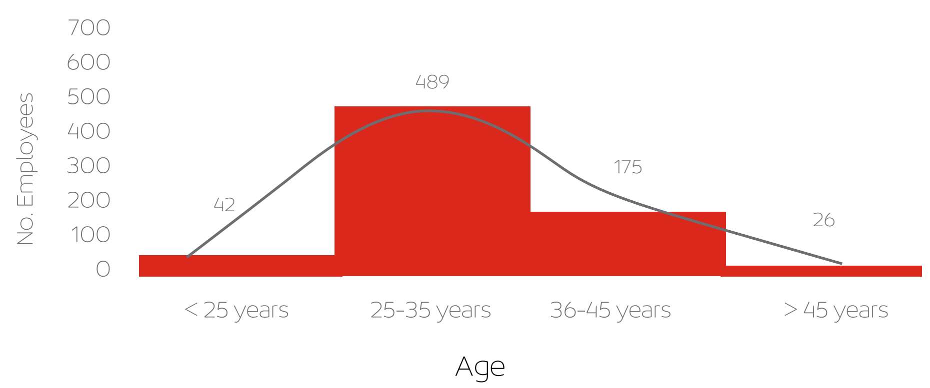
This turnaround, prompted by opportunities identified through a cross-departmental reorganisation of its internal structure, allowed it to achieve efficiency gains as a result of a greater focus on multi-purpose functions and work with multidisciplinary teams. This led to greater exposure of employees to new challenges, and the continuous enrichment of their skills, strengthening teamwork and enhancing their own personal and professional value.

As a result, the Bank kept its staff at a stable level - **732 employees** compared to 731 last year. Of these, 53% are allocated to Central Services and 47% to the Commercial Network.





By respecting the principle of balance and equal opportunities for men and women in its policy of attracting and retaining human capital, a stand that is in line with its corporate values, Moza features a very balanced structure, of which 48% of their staff are female and the remaining 52% male.



On the other hand, a distinguished feature of Moza Banco is its market activity together with a strong willingness to promote innovation, associated with new technologies. The overwhelmingly young profile of its staff reflects this, as shown in the chart above. In fact, the highest concentration of its employees (about 73%) is in the 25-35 age bracket, with the average age of employees being 33 years old.

TRAINING

Moza Banco considers the professional training of its employees an indispensable tool for increasing their motivation, professional growth and productivity (doing more with less). In a particularly adverse macroeconomic environment, where rationalisation of investment has strong appeal, training which was specific and urgent, focusing on issues relevant to their work, was given priority.

To this end, the 39 training sessions held, which were attended by 195 participants, were directed towards complying with the strategic guidelines to promote cost optimisation and rationalisation, regulatory compliance and the improvement of skills in applications and processes.

Of note is the institution's ongoing commitment to training in-house trainers, who have increasingly taken up a greater role in monitoring a significant number of these sessions, combining their experience and in-depth knowledge of the Bank's needs with the desired quality and applicability of shared knowledge.

9.2 Distribution Network

At the end of 2017, Moza Banco had a distribution network comprised of 53 Bank Branches, including 51 Retail Branches, 1 Corporate Centre and 1 Private Centre. It should be noted that among the retail branches, eight are informal markets.

During the second half of 2017, two branches located in the informal markets, namely Malhampsene and Tsalala, were closed down as a result of the demobilisation carried out by the Municipal Council related to improvements to the national road 4 (N4).

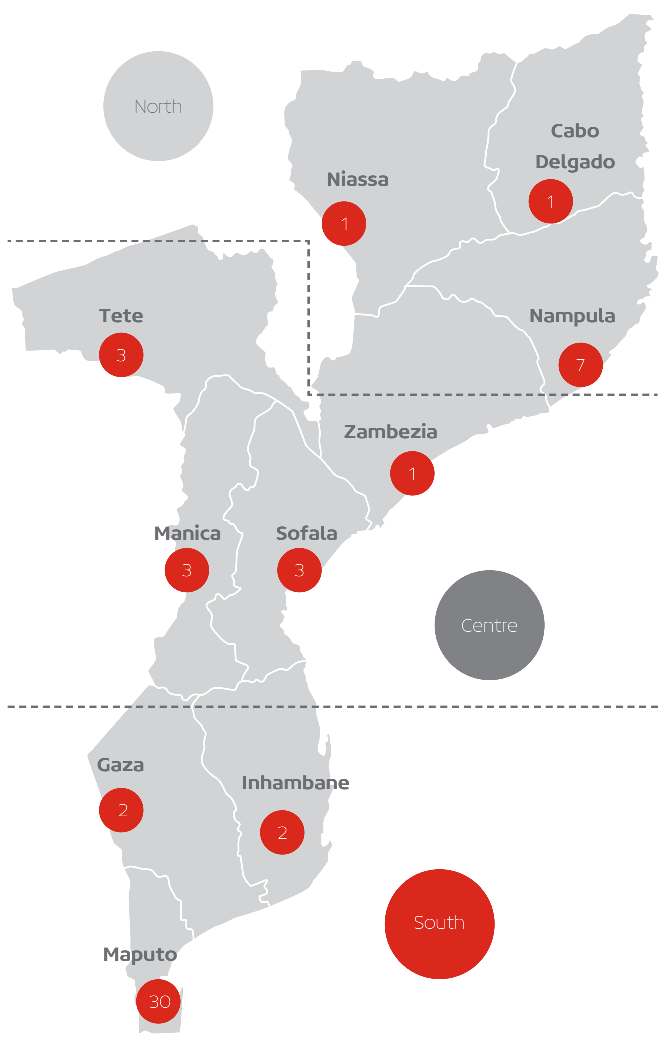
Moza Banco assures total national coverage by being present in all provinces of Mozambique. In terms of geographical distribution, 34 branches are located in the south, 10 in the centre and 9 in the northern part of the country.

In terms of market positioning, Moza has the third largest distribution network, with a market share of approximately 8.1%.

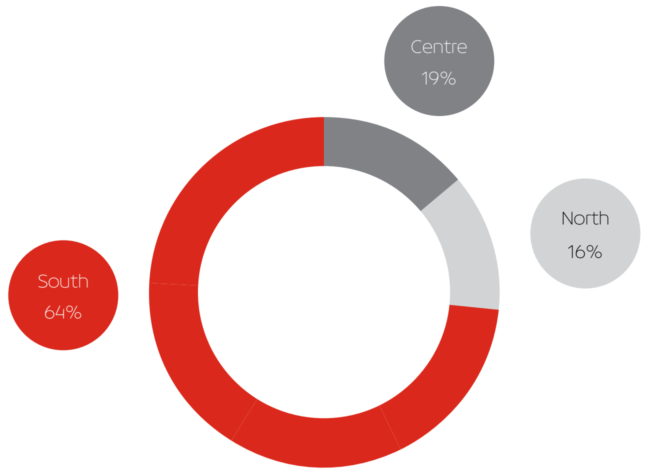
> "Moza has the third largest distribution network, with a market share of approximately 8.1%."

After the close of the 2017 financial year, the Bank opened two new bank branches, the Lichinga branch in the provincial capital of Niassa and the Dondo branch in Sofala province. With the opening of these two branches, Moza consolidates its status as the bank with the 3rd largest branch network. At the date of publication of this report, it had approximately 55 Bank Business Units distributed throughout the country's provinces.

Moza Banking Coverage



Geographical Breakdown



In strategic terms, and notwithstanding the opportunities and partnerships that the Bank may potentially have, in the coming years Moza will prioritise alternative channels (multi-channels), based on technological innovations to guarantee a privileged relationship with its customers, a factor considered essential to maintaining the Bank's competitive position in the market.

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9.3 Commercial Activity

The commercial network face major challenges in 2017, and this required a strong effort in mobilising employees to confront low levels of confidence, in customers and in the market in general. A high priority for commercial action was the implementation of strategies aimed at recovering levels of customer trust and retaining.

The main commercial priorities for 2017 were as follows:

- Accelerating the pace of attracting higher value customers (not bank accounts), ensuring the placement of key savings and transactional products;
- Portfolio customer loyalty through the Product Team;
- Gradually regaining deposits lost to the competition;
- Granting loans in a selective and high-quality way, with adequate coverage in terms of real or financial guarantees and direct payment of income/revenues into Moza accounts;
- Provision of a top-quality service, anticipating the financial solutions best suited to each customer and responding quickly to requests;
- Innovating and developing a comprehensive range of online service products, by introducing new multi-directional channels. Increased focus on expanding the network of POS terminals, achieving wider coverage of territory and sales outlets;
- Consolidation and expansion of the range of insurance products, with an increased focus on standalone sales (i.e., sales not linked to loans).

The Board of Directors' plan of visits to the commercial networks, as well as the meetings held with customers and partners located in various regions of the country under the **'Moza Talks'** action, greatly contributed to reinforcing the commitment of the Bank's commercial teams, which gradually led to an increase in the confidence levels of the Bank's customers.

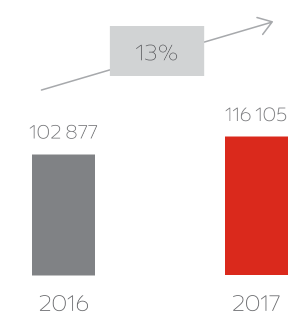
In the course of 2017, the Bank promoted a policy of meritocracy and remained focussed on its main strategic business variables, through its **System of Targets and Incentives (STI)** designed to reward the achievements of sales teams who display outstanding commitment to the Bank.

As a result of the strategies laid down by the Bank in 2017, there was a remarkable recovery in the confidence levels of the market in general and of customers in particular, reflected in an increase in the customer numbers, a growth in turnover and consequent improvement in the Bank's liquidity, an increase in the usage rate and number of transactions on the Bank's channels.

NUMBER OF CUSTOMERS

In 2017, Moza recorded an increase in customer numbers of 13,228, which represents an increase of 13% over the same period in 2016. In terms of segments, the largest concentration of customers was in the Individual Retail segment, with a share of around 93%, which basically reflects the nature of Moza as a universal bank.

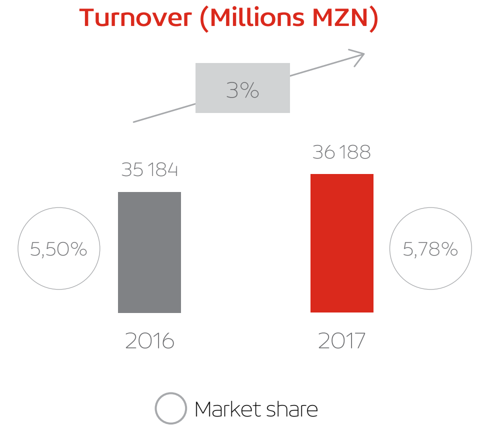
Number of Customers (unit)



TURNOVER AND MARKET SHARE GROWTH

Turnover in 2017, measured through the customer loans and customer funds portfolio, grew by 3% over the same period in 2016, totalling MZN 36,188 million at the end of 2017.

Turnover (Millions MZN)



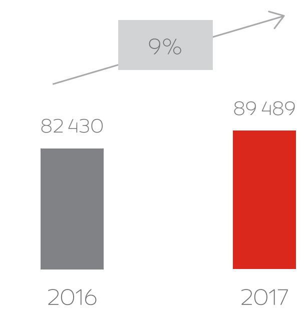
In 2017, Moza Banco maintained its efforts to consolidate its position in the domestic financial system, and is currently one of the top five largest banks operating in Mozambique, with a market share of 5.78% (2016: 5.50%). This trend is mainly due to improvements in trust and the relationship with an increase in the Bank's customer base.

CARDS

With the purpose of ensuring the growth of Moza cards, the Bank reviewed its offer and the daily limits on the use of cards in 2017. The following actions are worth highlighting:

- Some types of cards were discontinued;
- The OIF (rate on financial transactions carried out abroad using Moza cards) was reduced from 10% to 7%;
- Prepaid salary cards were transferred to Txapo Txapo;
- Setting minimum stocks and orders of cards;
- Defining the circuit and responsibilities in the management of stocks and card renewals;
- Upgrade of credit cards based on the volume of transactions by customers, thus ensuring customers access to more prestigious cards;
- Review of card transaction limits, increasing the daily amount to be used by customers.

Network Cards (unit)

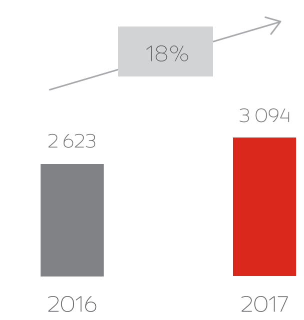


As a result of the actions described, cards grew by 7,059 units (+ 9%) compared to the same period in 2016, totalling 89,489 cards on the network at the end of 2017.

POS

In 2017, the Bank recorded growth of 18% in POS terminals (+471 units) compared to the same period in 2016, and contributed to the recovery of customer relationship levels in the portfolio, as well as attracting new shopkeepers.

POS (unit)



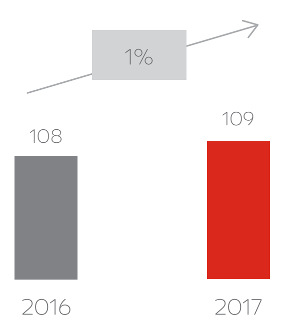
It should also be noted that a total of 1,138 new terminals were installed and 712 units were cancelled as a result of joint verification of inactive POS, which were allocated to new customers or, in some cases, helped supplement shopkeeper terminals with greater resources and turnover. It should be noted that this action is part of the strategy of optimising transactions on the Bank's terminals.

The positive results of the task force created by the Bank (raised awareness of the use of Moza POS and collection of terminals from shopkeepers with no transactions or who had ceased trading) are remarkable, resulting in a significant increase in the volume of transactions in 2017 of about MZN 6,000 million, which compares favourably with the MZN 4,990 million recorded in the same period in 2016.

ATM

During the course of 2017, activity was based on a strategy of optimising the current ATM network. In some cases, machines have been moved to locations with greater potential for transactions. As a consequence, at the end of 2017 there was an increase in use of the Bank's machines, with an annual volume of transactions in the order of MZN 7,700 million (monthly average of MZN 640 million), compared to MZN 6,100 million (monthly average of MZN 510 million) recorded over the same period in 2016.

ATM (unit)



PRODUCTS

The supply strategy followed in 2017 focused on strengthening proximity to customers, with the Bank providing greater and better offerings of services and solutions, thus anticipating customer needs.

It is therefore worth highlighting the launch of the following products and services:

- Txapo Txapo prepaid card;
- Dá Saúde and Dupla Protecção Deposit Accounts;
- Moza Fast Channel (Travel Insurance);
- Boas Festas Credit;
- Rendimento na Hora Deposit Account;
- Moza Tranquilidade Christmas Campaign.

Moreover, in 2017 the Bank launched a specific campaign to boost car insurance to accelerate the placement of this product with the Bank's Customers.

CHANNELS

As a result of the commercial network's awareness-raising work, and to ensure greater convenience for the customer, the Bank recorded a strong take-up of remote channels, and as of 31 December 2017, it had:

- 16,975 customers with active Internet Banking, of which 3,179 were subscriptions taken out in 2017;
- 54,787 customers with active Moza Já service (USSD), of which 15,962 were subscriptions taken out in 2017;

During 2017, a total of 121,778 and 1,471,781 transactions were registered on the Internet/Mobile Banking and USSD channels, respectively;

Still in 2017, the Bank made a series of changes aimed at improving the services provided by its channels, namely:

- A review of the channel subscription circuits, to give greater security
- Review and implementation of new transfer limits on channels:
    - Internet & Mobile Banking;
    - USSD;
- Implementation of new features on channels:
    - Multiple transfers;
    - Subscriptions to USSD service via internet banking;
    - Top-up menu;
    - Topping-up of prepaid card;
- Sending internet banking credentials directly from the Bank's commercial system to the customer's email, giving greater security and convenience and, equally, reducing the risk of fraud.

KIOSKS

Kiosks are self-service terminals, similar to ATMs, through which smart payment options can be made available. The user can perform customised operations depending on the entity, following a set of instructions which may be identical to that available at ATMs. At these terminals, transactions can be carried out using a card or cash.

2017 was a year of expansion as regards the installation of this type of equipment, with a total of 15 new units installed, and the year ended with a total of 17 terminals in use, installed in the Ministries of the Interior and Justice as part of the automation of payments for acts and charges provided by these Entities. The equipment is distributed as follows:

- 7 units at the National Migration Service (SENAMI)
- 2 units at the 1st Civil Registry Office
- 2 units at the Vehicle Registration Office
- 2 units at the Land Registry
- 2 units at the Office of the Legal Entities
- 2 units at the 1st Notary Office

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During the course of 2017, the kiosks registered approximately MZN 110 million of transactions, which is promising considering that this was the completion of the project's pilot phase, with a view to increasing take-up and use by 2018 service users.

In 2017, the Bank held kiosk advertising exhibitions. Mention should be made of the exhibition at the Frelimo Party Congress held at the Party School in Matola and the holding of meetings with various government entities with a view to installing the machines in these institutions.

Improvements were also made to ensure not only that the equipment was fully operational, but also to bring added value to customers and end users, namely:

- Start of the kiosk certification process with VISA International;
- Recruitment of new employees to support the kiosks and setting up a unit in charge of supervising and monitoring them;
- Fine-tuning routes due to the banknotes in circulation in the country;

In 2018, the Bank will continue to focus on increasing the number of active kiosks, in order to reduce/eliminate the long queues and provide greater security and convenience in customer transactions, especially at government buildings.

MOZA D'AGENTE

Moza was the first bank in the country to accredit a Banking Agent in 2015, once again innovating and leading the process of financial inclusion and banking in Mozambique.

Moza D'Agente is an innovative service that allows any commercial firm to become a Moza agent and, conveniently, to provide banking services in any part of the country through a POS machine on which a set of banking transactions can be carried out, such as: Cash withdrawals, deposits, bank transfers, payments to the State (such as INSS, JUE), payments for services (such as water and electricity), purchase of mobile phone topping-ups, account balance inquiries and transactions, among others. With this innovation the population, especially from more remote areas, can access Moza's banking services in comfort and convenience.

In 2017, with a view to creating solid foundations and ensuring the acceleration of wide-scale access to financial services and products made available by the banking agents, Moza has developed a set of structural actions among which the following are highlighted:

- Redefining the scope and action strategy for the Agents;
- Signing of an agreement (MoU) for the renewal of the partnership between the Bank and GIZ - a German Agency for International Cooperation, which has provided vital support for the implementation of the project, mainly in rural areas;
- Establishment of a partnership with Nomanini, a specialised company with know-how in the operation of itinerant agents, one of the strategic strands that the Bank will follow;
- Development of the Agente application;
- Reinforcement of the project team.

9.4 Technologies and Information Systems

Moza Banco's Information Systems and Technologies Department (DSTI) has the following main objectives:

- To implement applications to meet business needs;
- To ensure business applications are operated correctly and safely;
- To integrate multiple applications;
- To support users on information technology (IT) issues.

In order to proceed with the improvement of its information systems and ensure sustainable operational efficiency, DSTI underwent several transformation processes in 2017 to adjust its operation to changing circumstances and the Bank's new challenges. Therefore 2017 was marked by various actions, including the following:

COST REDUCTION

An IT cost reduction plan was implemented, which introduced a downward revision of licensing costs and maintenance contracts, a reduction in teams of in-house and remote consultants, and a change in the DSTI work model. This action highlights the effort to rationalise and optimise the costs leading to savings, in line with that recommended in the Strategic Plan.

INSOURCING OF SKILLS AND SERVICES

In the context of reducing and rationalising costs, several training processes were started with Bank teams, in order to reduce costs incurred in outsourcing maintenance services. We were able to insource activities that were once outsourced, such as:

- Daily closing teams
- Infrastructure management (process ongoing)
- Support for branches and users, etc.

AREA RESTRUCTURING

Faced with the demanding challenges posed by the 2017-2021 Strategic Plan to ensure greater resilience and strengthen the sustainability of the business model, 2017 saw changes in daily operations, cost reductions, reduction of outsourcing and creation of internal skills. Hence there was a need to change the organisational structure of the Information Systems and Technologies Department (DSTI).

This change led to the following::

- 'Slimming' of the organisational structure (adjustment to the value chain);
- Consolidation of development areas, once segmented by development type;
- Establishment of a relationship management team;
- Establishment of a quality control team;
- Establishment of a microcomputer team (by combining the infrastructure Service Desk and maintenance area);
- Combining the front line Service Desk areas with the first line with the application support area.

PROCESSES AND PROCEDURES

Processes and procedures were also restructured, with the establishment of an **IT Committee**, whose main function is to monitor the developments requested from the DSTI. The main purpose of this Committee is to align IT capacity with the demands of the business areas, allowing greater and more effective control over current developments.

9.5 Image and Communication Management

Moza began 2017 still under the intervention of the Bank of Mozambique. This led to some speculation and uncertainty about the future of the institution and had repercussions on the communication strategy adopted. This focused mainly on **reputational management** and sought to mitigate the risk associated with this type of communication management. With a view to preserve the Bank's image and enhance the transparency of the whole process, an attempt was made, whenever appropriate and relevant, to keep partners, the company and public opinion informed about the status of the Bank's recapitalisation process and the following steps, as well as other relevant information about the institution. This was carried out responsibly and with a high degree of accuracy, by combining official communications and targeted communications.

At the same time, and whenever requested, interviews were given by the Chairman of the Bank's Board of Directors to national and foreign media, in which the emphasis was on the transparency of the whole process communicated in a firm and confident manner to reassure the markets. Videos and posts were also produced in support of these interviews, and excerpts and quotes from them were shared through social networks, especially Facebook and Instagram.

In the post-intervention period, in July 2017, following the normalisation of the financial and prudential situation after the success of the recapitalisation operation, Moza adopted a new strategic position. It introduced a Relational Bank culture, inspired by the customer as the centre of its strategic positioning, which led to the beginning of a programme of organisational transformation to restore the trust of customers and partners with the clear objective of regaining its prominent position among the main Banks operating in the country.

The Bank aligned its communication strategy with this new cycle, strengthening its activity to restore its corporate image, to gain **proximity to the customer**, to encourage savings through various campaigns to recover resources, and to promote financial literacy.

The aim of this approach was to achieve consistency and reinforce the brand's reputation, through a series of actions, namely:

- Establishment of relationship links with customers and opinion leaders through directed communication actions;
- Consistent presence on social networks and digital channels;
- Participation in and promotion of trade fairs and conferences within our area of activity;
- Cross communication of products and services;

> "Moza adopted a new strategic position. It introduced a Relational Bank culture, inspired by the customer as the centre of its strategic positioning..."

9.5.1 Main campaigns in 2017

Moza's communication strategy had a major impact on the Bank's digital channels, particularly its website, mail, ATMs, Facebook, Whatsapp, Youtube, Instagram, not to mention traditional media.

Three corporate campaigns were developed for social networks and more than 300 content items (images, texts, gifs, videos) were produced, as follows:

- Moza in Front
- Moza Explains
- The Value of Partnership

At the same time, in the last quarter of 2017, product campaigns were launched which, in addition to the Moza digital channels, were also shown in the country's most popular newspapers, of which the following were noteworthy:

- Rendimento na Hora
- Crédito Boas Festas

9.5.2 In-house Communication

The Bank keeps on focusing on permanent and regular in-house communication with all employees, informing them of its main objectives, achievements and milestones, thus strengthening morale and Moza's culture.

It is also worth noting the direct communication that takes place between the Bank's Chairman of the Board of Directors and employees, through the various in-house communication platforms (email, intranet and in-house newsletter). Messages convey the most important aspects of the Bank's business, as part of the intervention and recapitalisation process, as well as future perspectives, all embodying a participative management approach.

MOZA NEWS

We kept on publicising the Bank's objectives, perspectives and actions in 2017 through our in-house Newsletter - Moza News, an in-house communication platform distributed monthly to all Bank employees.

'I AM MOZA, I MAKE A DIFFERENCE' CAMPAIGN

As a way of spreading and reinforcing Moza's values so that they are assimilated by all employees, an in-house communication campaign on Moza's values was carried out, the motto being **'I AM MOZA, I MAKE A DIFFERENCE'**

The campaign was part of the 'I am Moza' programme which was intended to strengthen Moza's culture. As part of the campaign, all employees from the different organisational units were challenged to use their creativity, imagination and everyday practices to devise inspirational phrases reflecting each of Moza's values.

9.5.3 Strategic Participation in Trade Fairs and Events

10TH NATIONAL MEETING OF REGISTRIES AND NOTARIES

June 2017

Moza attended the 10th Meeting of Registries and Notaries between 1 and 2 June, in the city of Chimoio in Manica Province. The aim of Moza's attendance was to present the new automated payment system for registration and notary acts, under the partnership between Moza and the Ministry of Justice, Constitutional and Religious Affairs.

Moza used the opportunity to present some automated payment solutions, which are already in operation in some of the Maputo's Registry Offices.

1ST VANDÚZI ECONOMICS CONFERENCE

June 2017

Moza Banco supported the Vandúzi District Government for the 1st Vandúzi Economics Conference, an event aimed at highlighting the potential of this region of the country to boost its development.

Under the motto 'Partnerships, Confidence and Development', the conference involved entrepreneurs, national and foreign investors and peasants who welcomed the action and promised to invest in the district given Vandúzi's opportunities and potential.

Moza is currently the only bank in Vandúzi, which officially became a district about three years ago.

FACIM

August 2017

In 2017, Moza took part in the 50-year-old Maputo International Fair (FACIM), the country's largest showcase for its products and potential. With a modern corporate stand featuring state-of-the-art technology and manned by a dedicated team of managers, customers and visitors could get answers to their financial needs and concerns, as well as make all kinds of banking transactions in real time.

"MOZA TALKS"

November and December 2017

In November and December, Moza Banco's Board of Directors made a series of visits to the provinces where it held meetings with customers and partners, an action called 'Moza Talks'. The purpose of these events was to interact with key stakeholders, explain the Bank's status and jointly address its future prospects, highlighting the Moza's new positioning as a Relational Bank.

These events were very welcomed and helped restore confidence in Moza and reinforce its vision as a Bank that stands out by its ability to relate to and be inspired by the customer.

In the course of 2017, Moza focused its efforts on maintaining its Customer Orientation Strategy, which has been constantly strengthened by consolidating the quality evaluation and continuous improvement mechanisms, which is one of the Bank's strategic pillars.

Within this assumption Moza continued to monitor in detail its Key Performance Indicators (KPI) for

9.6 Service Quality
A commitment from the Bank to the Customer

Quality, based on measurements associated with:

- → Continuous monitoring of service levels of the main processes impacting on customer service;
- → Complaints management (number of closed complaints vs. number of complaints with a satisfactory outcome for the customer);
- → Monitoring of customer satisfaction and dissatisfaction factors;
- → Monitoring of customer service routines.

Moza ever closer to the Customer (Relational Bank):

One of the factors that marked 2017 was a greater involvement of the Bank, across all areas, in customer relations. There was also a concern to go beyond customer expectations, offering them products and services adapted to their actual needs, as well as responding swiftly and efficiently to all requests, with increasing involvement between employees and customers.

To this end, communication with the customer was reinforced through the following actions:

• Customer Satisfaction Surveys

In order to match the customer's expectations and the quality of the Bank's service, Moza carried out customer satisfaction surveys in 2017. The results of feedback were satisfactory.

• Dissemination of communication channels

In order to monitor trends in different customer needs, Moza started to officially notify customers of the various communication channels they can use, namely:

- → Moza Banco corporate website (www.mozabanco.co.mz);
- → Moza Branches;
- → Email address: qualidade@mozabanco.co.mz;
- → Call Center, on: 82 2020; 84 2020 or +258 21 342020;

9.7 Compliance and Anti-Money Laundering

The year in review was marked by a complex regulatory environment, which added to the need for financial institutions to review and adapt their internal procedures to the new requirements laid down by the Regulator on a wide range of issues.

This is where Compliance plays a role in enforcing internal and external laws and regulations, to ensure that in-house processes are appropriate and function correctly, with the publication of new legislation, the review of internal regulations and risk analysis of new products and services.

With regard to the regulations published during 2017, Compliance was involved in the implementation of the following regulations:

• Notice No. 6/GBM/2017 - Harmonisation of the exchange rate and maximum spread between foreign currency purchase and sale rates;

• Notice No. 7/GBM/2017 - Minimum Capital Requirements for Credit Institutions, Financial Companies and Microfinance Operators;

• Notice No. 8/GBM/2017 - Regulation on Credit Institutions' Equity;

• Notice No. 12/GBM/2017 - Regulation on Mandatory Reserves;

• Notice No. 13/GBM/2017 - Scheme of Commissions and Charges Relating to Financial Services;

• Notice No. 19/GBM/2017 - Amendment to the Scheme of Commissions and Charges Relating to Financial Services;

• Notice No. 20/GBM/2017 - Foreign Exchange Rules and Procedures.

In addition, it should be stressed that the Moza Banco Compliance Department implements policies to combat Money Laundering and Terrorist Financing, through periodic monitoring of customers and suspicious transactions, and publishes rules on the Ethics and Conduct of employees.

> "The year in review was marked by a complex regulatory environment, which added to the need for financial institutions to review and adapt their internal procedures to the new requirements laid down by the Regulator on a wide range of issues."

10. Risk Management

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10.1 Introduction

For Moza Banco, quality is a cornerstone of risk management, in line with the best international practices in the sector. Prudent risk management, coupled with the use of advanced management techniques, has been a decisive and differentiating factor for the Bank.

In the course of its business, the Bank bears risks that may adversely impact on its results or even on its capital. With this in mind, Moza Banco adopts strict risk management policies and principles which provide the necessary means to ensure that the Bank's business model and strategy are viable and sustainable. In order to cover the various risks inherent to the business, management is geared to implementing control and reporting principles, procedures and methodologies adjusted to the size and complexity of the Bank.

The main purpose of Moza's risk management strategy is to identify, assess, measure, control, monitor and report all the material risks to which the institution is subject, both internally and externally, so as to ensure that these risks are kept at appropriate and acceptable levels.

Risk management is implemented on an ongoing basis through:

- Active follow-up by the Board and top management bodies;
- The definition and dissemination of policies, procedures and limits;
- Measurement, monitoring and information management systems;
- A comprehensive internal control system.

10.2 Bank Risk Profile

Moza Banco's Risk Profile underpins its degree of exposure to each of the nine regulatory risks (operating risk, credit risk, liquidity risk, interest rate risk, reputational risk, information technology risk, strategic risk, compliance risk and foreign exchange risk) the management of which is essential for the development, profitability and sustainability of the business; this is aimed at ensuring compliance with legal and prudential requirements and definitions, namely the correct assessment of equity and adequate liquidity management for exposure to risks arising from the business.

Moza has been developing an organisational structure for managing and monitoring the various risks, aligned with the regulatory requirements of Basel II and good international practice, by gradually equipping the organisational units with the technical and human resources required at any given time to manage the risks to which the Bank's activity is exposed.

Among the different projects and actions carried out in the last two years, the following stand out:

- The automated calculation of regulatory provisions;
- The impairment calculation model, adjusted to the size and type of loan portfolio;
- The ICAAP calculation and reporting methodology;
- The stress testing methodology (scenarios and sensitivity);
- The Central Balance Sheet (tool for recording customer's financial information).

It should be noted that during 2017, in line with the conservative risk management policy, the Bank's Executive Committee approved the following measures:

- Establishment of GARC - Credit Risk Monitoring Group, for biweekly monitoring of overdue loans and major risks;
- Replacement of the impairment calculation model so that the new methodology is in line with best international practices (IFRS 9) - a project still in progress and expected to be completed in March 2018.

10.3 Risk Management Responsibilities

Risk management is key in all institutions and comprises a series of activities that affect its risk profile.

In line with this principle, the management bodies ultimately bear responsibility for the level of risk taken by the Bank, in approving overall business strategies and policies, including those related to risk taking and risk management.

These bodies are also responsible for providing clear guidance on the acceptable exposure levels for the institution and for ensuring that top management implements the procedures and controls required to comply with defined policies and limits.

Controlling and managing the material risks to which the Bank is exposed is therefore the responsibility of the Board of Directors, Executive Committee, Audit Committee, Risk Committee, IT Committee, Assets and Liabilities Committee, Credit Committee, Risk Department, Markets and International Department, Internal Audit and Compliance Office, together with the Bank's collective bodies.

The Audit Committee is the Bank's in-house oversight body, and the Credit Committee, the Risk Committee, the Assets and Liabilities Committee and the IT Committee are the risk management bodies.

> "Given the contraction in Mozambique's economy in 2017, despite a cautious upturn in the last quarter, Moza Banco continued to adopt efficiency-oriented measures by minimising costs and maximising return."

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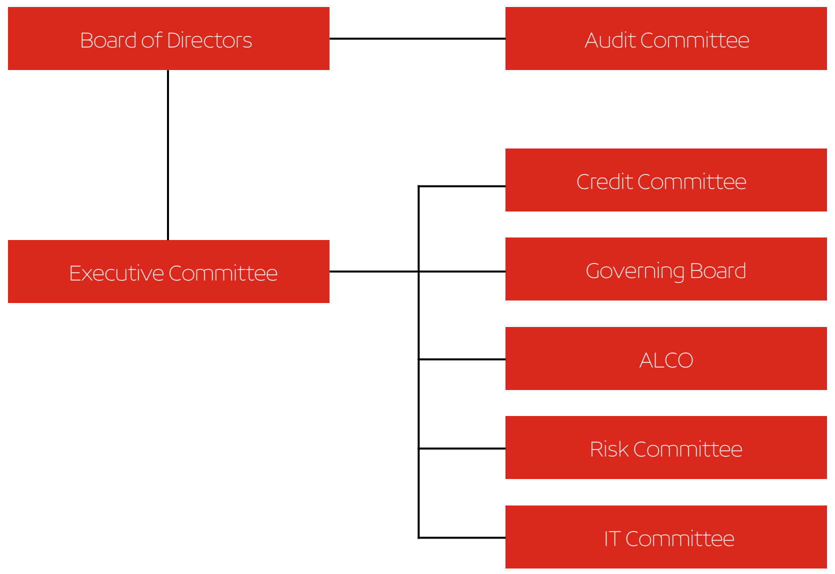


In short, Moza Banco follows a risk management and control model supported by three key pillars:

- The business units and the units that generate exposures to risks - are the first line of defence against risks in which the Bank is involved. In order to discharge their duties, they must have the means to identify, measure, deal with and report the risks taken;
- Risk Management and Compliance Departments - these are the second line of defence which ensure the effective control of risks and manage them according to the level of appetite defined by the Directors;
- Internal Audit Department - this is the third line of defence. When performing its duties, this organisational structure periodically assesses policies, methods and procedures, and checks whether they have been effectively implemented.

The last two lines have a level of separation and independence sufficient for the performance of their duties and have direct access to the Board of Directors.

IMPORTANT CHANGES

Given the contraction in Mozambique's economy in 2017, despite a cautious upturn in the last quarter, Moza Banco continued to adopt efficiency-oriented measures by minimising costs and maximising return. Although the Bank's policy orientation was based on the overall reduction of operating costs, it continued to adjust impairment levels in order to maintain adequate levels of credit risk coverage.

It should be noted that one of the measures taken resulted in Moza Banco redefining its organisational model, making the organisational structure more flexible and suited to current and future challenges. For this purpose, the Risk and Compliance Department was split, giving rise to the DGR (Risk Management Department).

11. Financial Analysis

11.1 Introductory Note

ADJUSTMENTS AND EXTRAORDINARY RECLASSIFICATIONS (2016 AND 2017 FINANCIAL YEARS)

The Moza Banco Financial Statements for the year 2016 incorporate the results of the independent evaluation and validation of the Bank's accounts carried out by KPMG Consultores, SA (KPMG) at the request of the Bank's Interim Board of Directors. This resulted in a series of adjustments and accounting reclassifications to the Bank's accounts, which were approved by the Moza Provisional Board of Directors and the Bank of Mozambique's Board of Directors, including:

- Recognition of impairments of MZN 316 million following the fair value calculation (Mark-to-Market) of the securities held by Moza;
- Recognition of impairments of MZN 364 million as a result of a fall in the commercial value of properties in the portfolio of non-current assets held for sale;
- Adjustment of credit impairment rates of the Top 40 Clients, in line with risk management policy, resulting in an increase in impairments of MZN 274 million;
- Accounting reclassifications of fixed assets in progress for costs totalling MZN 383 million, due to a better and more appropriate accounting framework for the amounts that were recognised in them;
- Recognition of market value (fair value) of financial derivatives held for trading, namely forward foreign exchange transactions and swaps, totalling MZN 505 million;
- Adjustment of manual recognition of the revaluation of available-for-sale securities for the financial years 2014, 2015 and 2016 totalling MZN 652 million.

Subsequently, in 2017, the Board of Directors at Moza Banco, appointed by the Bank's shareholders, approved a series of additional adjustments to the accounts, namely:

– Strengthening of impairments for loans granted of MZN 1,236 million as a result of analysing the risk profile of borrowers, or the respective counterparty, where the consistency of the risk factors associated with the strategy laid down by the Bank was evaluated in line with prudent risk management policy;

– Reversal of the amount of provisions for interest payments constituted in 2016, of MZN 341 million, related to the financing obtained from the Bank of Mozambique to cope with the significant deterioration in liquidity during 2016 and exacerbated after the intervention by the Bank. It should also be pointed out that during 2017, Moza Banco repaid the amount of the financing obtained from the Bank of Mozambique, as a result of a significant recovery in the Bank's liquidity levels.

In addition, as a result of market developments, some financial-related factors occurred that had a significant impact on the Bank's accounts, namely:

- Reversal of the impairments recorded on the securities held in the Moza portfolio, of MZN 206 million, as a result of appreciation of the market price/fair value of the relevant securities (mark-to-market);
- Strengthening impairments of MZN 14 million as a result of the fall in the commercial value of properties in the portfolio of non-current assets held for sale, as well as the entry of new properties;
- Recognition of market value (fair value) of financial derivatives held for trading, namely forward foreign exchange transactions and swaps, amounting to a gain of MZN 190 million at the end of 2017.

In view of the situations explained above, the Financial Statements for 2016 and 2017 are not directly comparable, as a result of the incorporation of adjustments, fine-tuning and records of operations of an extraordinary and cyclical nature which had a material impact on the Bank's accounts in any the aforementioned years.

ACTIVITY AND RESULTS

The 2017 financial year was the first year that the Strategic Plan (2017-2021), approved at the Extraordinary General Meeting held on 28 July, 2017, was implemented. In the course of 2017, the main objectives of Moza Banco's business activity were to:

- Restore the Bank's image and credibility;
- Regain customer's trust;
- Recover liquidity levels;
- Strengthen the Bank's financial stability;
- Optimise in-house processes and the business structure;
- Rationalise and optimise operating and investment costs.

Therefore, Moza Banco's performance in the first half of the year was constrained by the circumstances that led to the intervention, as well as by the persistence of a difficult domestic economic climate, marked by the weak dynamism in economic activity as a result of the restrictive tax and monetary policy measures taken since the end of 2015.

Notwithstanding the constraints described earlier, Moza Banco's activity during 2017 provided a significant improvement in financial, economic and prudential results, with signs of a recovery in operating performance and an increase in customer confidence levels. The net result, although negative by MZN 1,459 million, was lower than in 2016 (MZN -5,268 million), in line with what was recommended in the Strategic Plan approved by the shareholders.

For the year under review, the following aspects stand out:

- Banking income totalled MZN 2,467 million (2016: MZN 524 million), with net interest income representing 80% of this aggregate, net services and commissions at 13% and net trading income 7%. Changes in the Banking Product mainly reflect the increase in the volume of financial investments in other financial institutions and new investments in Treasury Bills, in line with the strategy adopted by the Bank for a greater focus on assets with high liquidity and low risk, in order to maintain a high level of liquidity to cope with possible market imbalances;
- Operating costs totalled MZN 2,585 million, representing a 10.2% reduction compared to 2016, reflecting the efforts made by the Bank's management to ensure greater control, optimisation and rationalisation of costs. In terms of efficiency, operating costs (without depreciation) represent 88.8% of the Banking Product (2016: 469.8%);
- The positive Gross Operating Income (GOE) of MZN 276 million, which compares favourably with that registered in 2016 (MZN -1.939 million);
- Operating Income (before impairment charges and provisions) stood at MZN 40 million, an increase of 101.2% compared to MZN -3,295 million in the same period in 2016, mainly reflecting the growth of the Banking Product and the reduction in operating costs.

As for the balance sheet, total assets amounted to MZN 26,676 million at 31 December 2017, reflecting a 3.6% reduction compared to 2016, as a result of the decrease in the loan portfolio and an increase in provisioning levels.

Loans to customers (gross) amounted to MZN 18,228 million, which compares with MZN 19,126 million recorded over the same period in 2016. These developments reflect the slowdown in economic activity in Mozambique and the resulting need to de-leverage the balance sheet on the part of financial institutions, which led to a contraction of 15.9% in loans to customers in the banking system compared to the same period in 2016.

Despite the huge challenges resulting from the intervention process and the recapitalisation of the Bank, Moza Banco was able to recover the confidence of the market in general and of its clients in particular, stabilising its sources of financing and maintaining adequate levels of liquidity. In 2017, customer deposits amounted to MZN 17,960 million, an increase of 11.8% over the same period in 2016.

Changes in turnover in 2017 saw an improvement in the Bank's liquidity. This led its ratio to stand at around 36.3%, which compares favourably with the minimum limit set by the Regulator of 25.0%. The loan-to-deposit ratio also was also positive in 2017, closing the year at 101%, which compares favourably with 119% in 2016.

At 31 December 2017, Moza Banco had a market share of 7.42% in customer loans and 4.74% in customer deposits, and was thus one of the five largest financial institutions in terms of turnover.

CAPITAL

Following the recapitalisation process, which culminated in an increase in its share capital of MZN 11,712 million, the Moza Banco share capital as of 31 December 2017 amounts now to MZN 13,841 million which, together with the measures leading to the optimisation of assets weighted by credit risk, shows robust levels of financial stability. On a prudential basis, this took the capital adequacy ratio to 23.46% at 31 December 2017, which is considered to be a much higher level than the banking sector, above the requirements set by the Regulator, which currently stands at 9.0% and in the future at 12.0%.

11.2 Review of Return

NET PROFIT

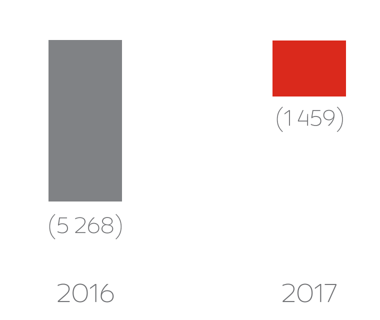
In 2017, Moza Banco's net income was MZN 1,459 million, which compares with a loss of MZN 5,268 million recorded in 2016. Its performance in 2017, as well as in 2016, was influenced by the impact of adjustments and operations of a specific nature, within the framework of the conservative, prudent and professional risk management policy carried out by the Bank's management bodies. However, it should be noted that the positive result for the 2017 fiscal year when compared to the previous year is mainly due to the favourable performance of the Banking Product, supported by net interest income, and a reduction in operating costs.

Gross Operating Income was positive at MZN 276 million, reflecting a growth of over 100% compared to 2016, as a result of the notable growth in the Banking Product and a decrease in operating costs.

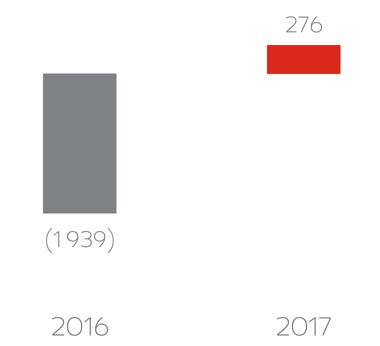
In operational terms, there was also a sustainable recovery in the Bank's performance, with operating income at MZN 40 million (2016: -3,295 million).

Profitability ratios also showed significant improvement compared to the same period in 2016. Return on equity (ROE) and return on assets (ROA) stood at -16.9% (2016: -211.3%) and -5.5% (2016: -19.0%), respectively, reflecting a significant recovery in operating efficiency aligned with the strategic objectives defined by the shareholders and recommended in the 2017-2021 Strategic Plan.

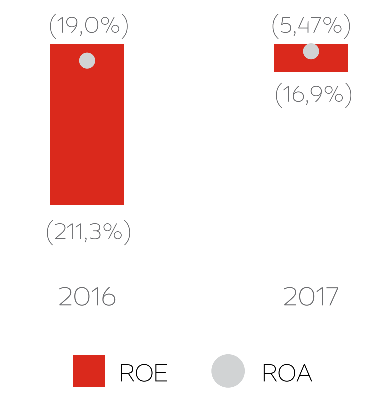
Net profit (Millions MZN)



Gross operating income (Millions MZN)



Return ratios



MZN'000

Income Statement	2016	2017	Chg.
Interest and similar income	3 679 335	4 002 726	8.8%
Interest expense and similar charges	2 733 522	2 034 775	(25.6%)
Net interest income	**945 812**	**1 967 951**	**108.1%**
Net fee and commission income	386,134	324,362	(16.0%
Net tranding income	(807,637)	175,017	121.7%
Operating income	**524 310**	**2 467 330**	**370.6%**
Administrative costs	**2 462 983**	**2 191 028**	**(11.0%)**
General Expenses	1 457 960	1 247 995	(14.4%)
Staff Costs	1 005 023	943 033	(6.2%)
Gross Operating Income	**(1,938,673)**	**276,302**	**114.3%**
Amortisation	416 795	393,740	(5.5%)
Other operating income	939 158	(157 286)	116.7%
Operating Income	**(3,294,626)**	**39,848**	**101.2%**
Impairment and Provisions for the year	2 146 008	1 497 164	(30.2%)
Profit before tax	(5 440 634)	(1,457,316)	73.2%
Tax	172 437	(1 520)	(100.9%)
Net profit	(5 268 198)	(1 458 836)	72.3%

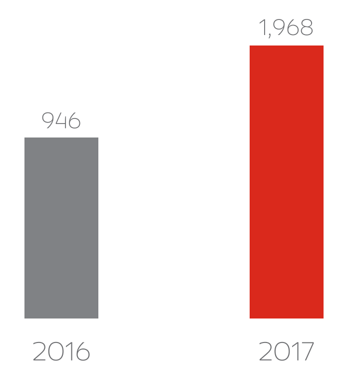
The income statement incorporates adjustments and operations of an extraordinary nature, which in 2016 and 2017 total MZN -2,517 million and MZN -514 million, respectively.

NET INTEREST INCOME

The net interest income stood at MZN 1,968 million in 2017, corresponding to an increase of 108.1% over the same period of 2016, which was influenced by favourable changes in interest receivable and interest payable.

In 2017, interest receivable increased by 8.8% as a result of the increase in the volume of financial investments in other credit institutions and new investments in the securities portfolio (Treasury Bills), highlighting the strategy adopted by the Bank in granting credit to guarantee the recovery and stabilisation of liquidity levels, with excess liquidity being directed to high liquidity and low risk investments.

Net interest income
(Millions MZN)



In addition, interest payable totalled 2017 MZN 2,035 million, reflecting a decrease of 25.6% over the same period in 2016. This favourable trend reflects, in particular, the strengthening of the Bank's liquidity through its own resources, with interest-generating liabilities decreasing by MZN 12,410 million compared to 2016.

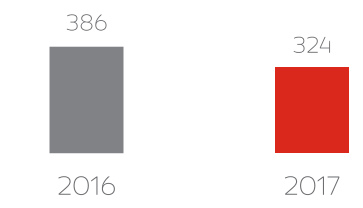
NET FEE AND COMMISSION INCOME

In 2017, net fee and commission income amounted to MZN 324 million, an increase of 16.0% over the same period in 2016. The performance of net commissions in 2017 is basically the result of the following effects:

→ A decrease in commissions associated with disbursement credit operations, due to the decrease in the loan portfolio (gross) of MZN 1,265 million;

→ A reduction of commissions associated with credit by virtue of the fact that, as of October 2016, Moza Banco ceased to take part in the syndicated operation of issuing bank guarantees to import fuels into the domestic market.

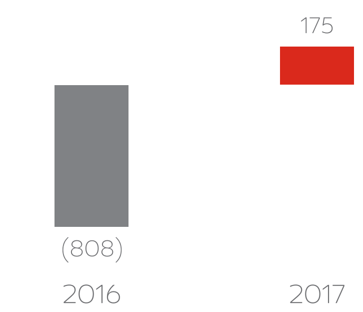
Net fee and commission income
(Millions MZN)



NET TRADING INCOME

Net trading income, which includes foreign exchange results and revaluation results of foreign exchange positions and derivatives, totalled MZN 175 million, which compares favourably with the losses of MZN 808 million recorded in the same period in 2016. This growth was impacted by the positive results on foreign exchange operations (trading) and the recognition of lower foreign exchange revaluation losses, as a result of the significant reduction in exposure to foreign exchange risk through swaps.

Net trading income
(Millions MZN)



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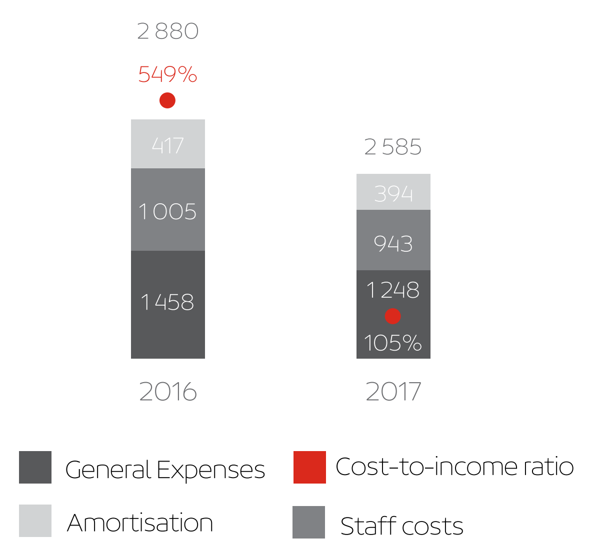
OPERATING COSTS

In 2017, operating expenses, which include staff costs, overheads and amortisations, totalled MZN 2,585 million, reflecting a 10.2% reduction compared to the same period in 2016, as a result of a reduction in overheads (14.4%), staff costs (6.2%) and amortisations (5.5%). The positive changes in operating expenses reflect the Bank's strategy of greater containment, control and rationalisation of costs, with a view to gradually guaranteeing, on a sustained basis, an improvement in efficiency ratios and their alignment with the sector. In the period under review, the cost-to-income ratio reached 105%, down from 549% in the same period of 2016, reflecting the positive effect of measures implemented to reduce costs and increase banking income.

Operating Costs (Millions MZN)



ADMINISTRATIVE OVERHEADS

Administrative overheads totalled 2017 MZN 1,248 million, reflecting a decrease of 14.4% over the same period in 2016. The positive changes in overheads are mainly due to contractual reviews and terminations, with effect from the second half of 2017, which were associated with the rendering of computer systems maintenance and consultancy services. These were basically provided by external entities, as part of insourcing services and contractual renegotiation of rentals of central agencies and facilities, with the amounts contracted in foreign currency being pegged to a fixed exchange rate, within the strategy defined by the Bank. In addition, the effect of the appreciation of the metical on certain costs indexed in foreign currencies also helped to reduce costs.

STAFF COSTS

Staff costs decreased by 6.2% compared to the same period in 2016, reaching MZN 943 million. The decrease is basically due to lower cost registration with the Corporate Bodies. Since the Bank was being managed by an Interim Executive Board of Directors designated by the Bank of Mozambique in the period from September 2016 to July 2017, their structure was reduced compared to the structure existing before the intervention.

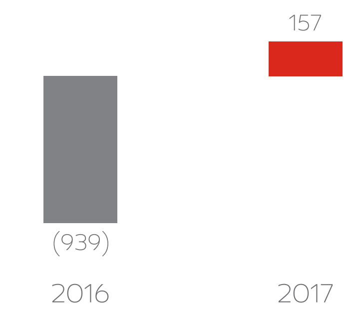
AMORTISATIONS

Amortisations for the year totalled MZN 394 million, reflecting a decrease of 5.5% when compared to the same period in 2016. This change is a result of the gradual ending of the amortisation cycle and the useful life of the investments made in previous years, especially equipment purchased in 2012 and 2013.

OTHER OPERATING INCOME

Other operating income was set at MZN 157 million in 2017, compared to a loss of MZN 939 million recorded in 2016. It should be noted that the performance of this item in 2016 and 2017 was significantly influenced by the adjustments made to the accounts but that were related to previous years.

Other Operating Income (Millions MZN)

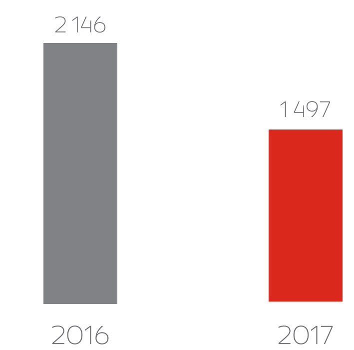


IMPAIRMENTS AND PROVISIONS FOR THE YEAR

Impairment and provisions include allocations for impairment charges, impairment of available-for-sale assets, impairment of other assets, in particular assets received as a result of termination of contracts with customers, as well as allocations to other provisions.

Allocations for impairment charges and provisions totalled MZN 1,497 million, reflecting a 30.2% decrease compared to 2016, as a result of reversing impairments on available-for-sale assets and lowering impairments of other assets.

Impairments and Provisions for the year (Millions MZN)



In millions of meticais	2016	2017	Chg.
Impairment and Overall Provisions	**2 146**	**1 497**	**(30.2%)**
Impairment on loads	1 465	1 597	9.0%
Available-for-sale Financial assets	316	(206)	(165.1%)
Other assets	364	15	(96.0%)
Provisions	1	91	> 200%

CREDIT IMPAIRMENT

Despite the high provisioning levels and consequently coverage of Moza Banco's credit portfolio at the end of 2016, in 2017 it was necessary to continue with an additional provisioning of the loan portfolio to customers for the overall amount of MZN 1,597 million (2016: 1,465 million), with the ratio of impairment coverage increasing from 10.5% to 16.7%.

	Annual		
Quality of Loans to Customers	**2016**	**2017**	**Chg.**
Impairment on loads / Total overdue loans	131.8%	171.1%	39,2 pp
Impairment on loads / Total overdue loans > 90 days	226.1%	185.0%	(41,0 pp)
Average impairment charge	7.8%	8.6%	0,7 pp
Overdue loans/ Total loans	8.0%	9.8%	1,8 pp
Accumulated impairment provisions on the balance sheet/ Total loans	10.5%	16.7%	6,2 pp

During 2017, Moza Banco bolstered impairments on a group of individually analysed customers as a result of the continuous evaluation of their risk profile, totalling MZN 1,236 million. This was in line with the strategy defined by the Bank and shows the maintenance of a conservative, prudent and professional policy of risk management carried out by the Bank's Management Bodies.

The credit risk ratio increased from 8.0% to 9.8% in December 2017, reflecting the effects of the slowdown in economic activity, influenced by the reduction of investment and consumption expenditure by the State, which is the largest economic agent. This was a result of the tight tax policy pursued after the suspension of foreign aid to the State budget by international cooperation partners.

As a result of the provisioning effort made in 2017, the average cost of impairment was 855 basis points, compared to 780 basis points in 2016. The coverage ratio of overdue loans by impairment remains at the comfortable level of 171.1% (2016: 131.8%), which shows that credit risk exposures have full coverage, and the loan portfolio to customers is duly covered.

IMPAIRMENT FROM AVAILABLE FOR SALE FINANCIAL ASSETS

In 2017, there was a partial reversal of the impairments recorded in 2016 of securities held by Moza of MZN 206 million (2016: MZN -316 million), as a result of appreciation in the market price.

OTHER IMPAIRMENTS AND PROVISIONS

Each year the Bank carries out an independent assessment of its portfolio of non-current assets held for sale (mark-to-market), to determine losses or gains arising from changes in the market value of these properties. In 2017, the Bank increased impairments of other assets by MZN 15 million, which compares with the MZN 364 million in 2016.

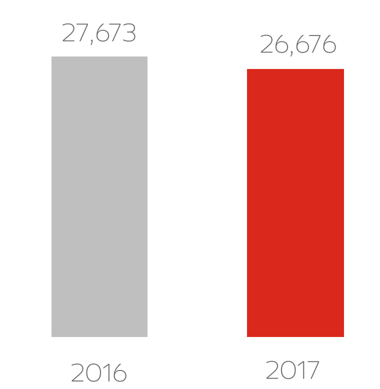
With respect to provisions, in 2017 the Bank recorded provisions totalling MZN 91 million (2016: MZN 0.7 million), with the objective of meeting potential future operational and legal charges.

11.3 Balance Sheet Review

TOTAL ASSETS

In 2017, as a result of unfavourable changes in the country's economic situation in general and the business sector in particular, the main activity of the domestic banking sector was de-leveraging the credit portfolio and increasing liquidity and stability levels. This led to an increase in the public debt securities portfolio (Bonds and Treasury Bills) and investments in other credit institutions (OCI).

Total Assets (Millions MZN)

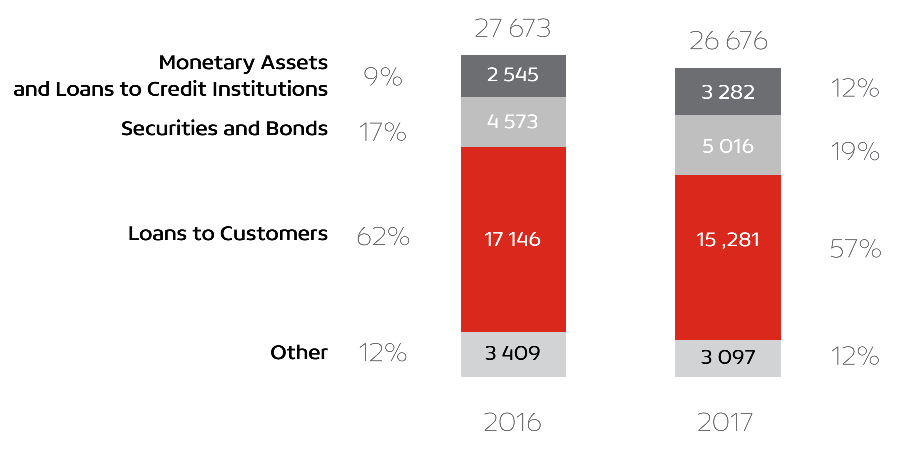


Moza Banco's total assets stood at MZN 26,676 million at 31 December 2017, a decrease of 3.6% when compared to the MZN 27,673 million recorded in the same period in 2016. Basically, this change is the result of the decline in the customer loan portfolio, in line with the trend in the banking market.

As at 31 December 2017, Moza Banco was one of the group of the five largest financial institutions in Mozambique in terms of assets, with a market share of 4.97%.

The Bank's assets composition as at 31 December 2017 objectively shows the strategy carried out by Moza Banco management bodies for an appropriate diversification of funds and maturities. The focus was on investments in high liquidity and low-risk assets, with a view to ensuring that a high level of liquidity is maintained in order to cope with possible market imbalances.

Total Assets (Millions MZN)



Monetary Assets and Loans to Other Credit Institutions (ICO), which aggregate cash and cash equivalents in the Bank of Mozambique, availability to other credit institutions and investments in other credit institutions, amounted to MZN 3,282 million in 2017, which compares with the MZN 2,545 million recorded in 2016, basically reflecting the increase in the investment portfolio in credit institutions.

The security and bond portfolio, which include bonds and treasury bills, redemption bonds, corporate bonds and shares, totalled MZN 5,016 million, showing an increase of 9.7% over the same period in 2016, mainly due to the new investments in public debt securities, namely, Treasury Bills. It should be noted that public debt securities can be used as collateral for obtaining funds, in the event of possible liquidity needs and refinancing of the Bank's activity.

The (net) customer loan portfolio in 2017 was MZN 15,281 million, a decrease of 10.9% compared to MZN 17,146 million recorded in 2016, as a result of maturities and non-renewals of loans, mainly from companies, coupled with the exchange rate effect and the reinforcement of credit impairments.

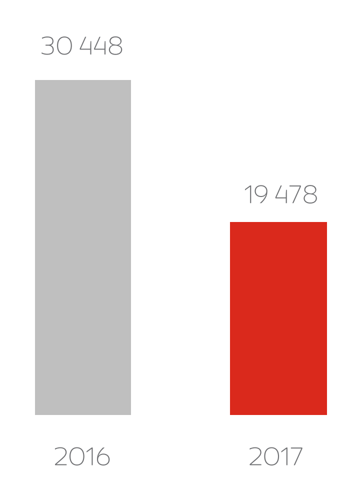
Other assets, which include fixed assets, non-current assets held for sale and other unpaid assets, stood at MZN 3,097, reflecting a decrease of 9.1% compared to the same period in 2016, mainly X due to changes in fixed assets as a result of the accumulated amortisation.

TOTAL LIABILITIES

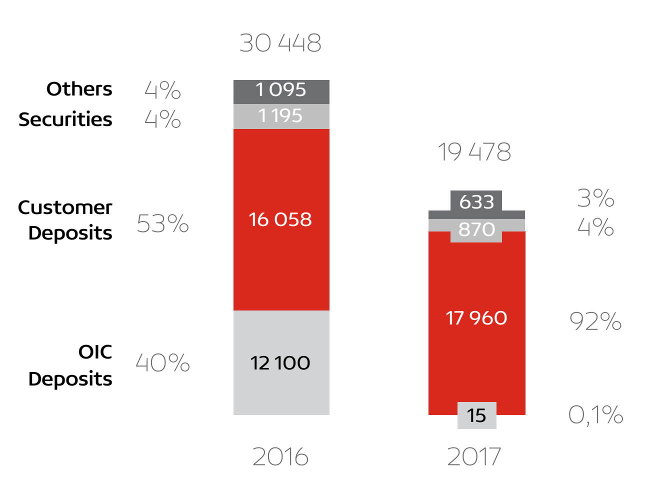
Total liabilities amounted to MZN 19,478 million at the end of 2017, a decrease of 36.0% compared to MZN 30,448 recorded in 2016, basically reflecting the full settlement of the liquidity support line obtained from the Bank of Mozambique and the maturity of Moza bonds.

The significant reduction in liabilities was due to a capital increase during 2017, coupled with the growth in customer deposits, with a positive impact on the increase in liquidity, so that Moza Banco made full payment of its liabilities within the agreed terms.

Total Liabilities (Millions MZN)



Total Liabilities (Millions MZN)



Deposits from other credit institutions amounted to MZN 15 million, representing a fall of 99.9% compared to MZN 12,100 million recorded in 2016. This change is basically due to the settlement in full of the liquidity support line obtained from the Bank of Mozambique, which totalled MZN 12,067 million at the end of 2016.

Customer deposits are the main source of financing for the Bank's business. In 2017, deposits amounted to MZN 17,960 million, reflecting a growth of 11.8%, when compared to the MZN 16,058 million in the same period in 2016, clearly representing the recovery of customer confidence levels.

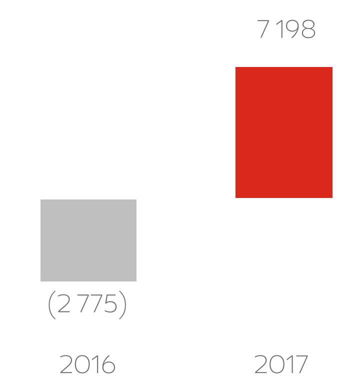
In 2017, the portfolio of debt securities, which correspond to the bond loans, recorded a fall of 27.3% over the same period in 2016, reaching MZN 870 million. The decrease is directly related to the maturity of Moza bonds totalling MZN 250 million.

Other liabilities, which include deferred tax assets, current and deferred taxes and other liabilities, stood at MZN 633 million, which compares with MZN 1,095 million recorded in the same period in 2016. This 42.2% reduction mainly derives from the partial reimbursement of resources to support financing activities (earmarked resources), in line with the conditions set out in the agreements, a reversal of losses on financial instruments held for trading that were accounted for in 2016, and swaps.

EQUITY

Shareholders' equity, reserves, retained earnings and net income for the year totalled MZN 7,198 million in 2017, which compares with MZN -2,775 million recorded at the end of 2016. This reflects a significant improvement in the Bank's stability as a result of the capital increase of MZN 11,712 million. Capital thereby increased to MZN 13,841 million, and in this way Moza Bank became the financial institution with the largest share capital in the market and one of the four largest in terms of equity.

Equity (Millions MZN)



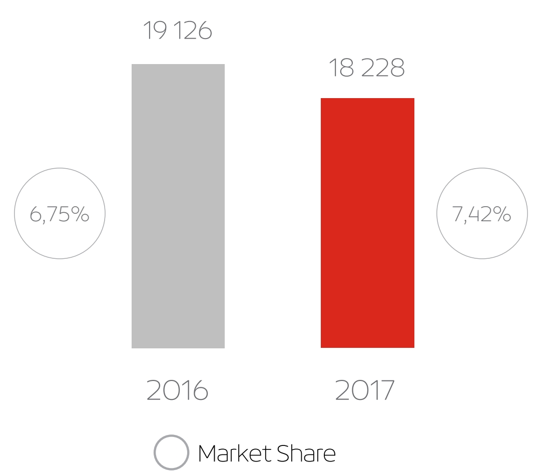
In millions of meticais	2016	2017	Chg.
Total Equity	**(2,775)**	**7,198**	**> 200%**
Share capital	**2,129**	**13,841**	**550.1%**
Reserves	109	(171)	< (200%)
Retained earnings	254	(5,014)	< (200%)
Profit/(loss) for the year	(5,268)	(1,459)	(72.3%)

LOANS TO CUSTOMERS

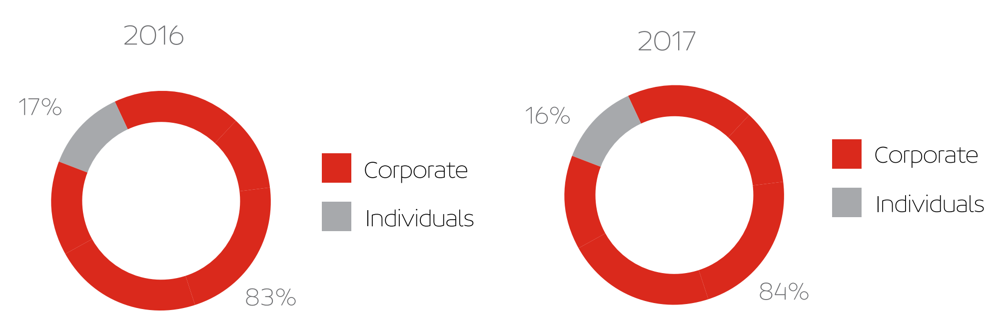
The recovery of the Mozambican economy in the last two years is still moderate, resulting in below-average economic growth observed before the start of the crisis, of approximately 7%. The slowdown in economic growth has affected the performance of the banking sector, reflecting the contraction of lending to the economy, with the total credit portfolio in the system in 2017 down by about 15.9% compared with the same period in 2016.

In 2017, (gross) loans and advances from Moza Banco to customers fell 4.7% compared to 2016, reaching MZN 18,228 million. This fall, in line with the overall trend in the financial system, reflects the maturity of operations, especially of companies, coupled with the effect of the metical's appreciation against the main currencies traded in the country (USD, ZAR and EUR), which led to a reduction in the amount of credit granted in foreign currency (the effect of converting to local currency, the metical).

Loans to customers (Millions MZN)



The contraction of credit recorded in 2017 is in line with the need to de-leverage the balance sheet, to recover the Bank's liquidity and stability levels. This de-leveraging was reflected in absolute terms in corporate loans. However, in terms of distribution, this segment continues to account for a considerable proportion of the Bank's total credit structure.



In 2017, Moza Banco maintained its position as fourth (4th) largest Mozambican bank in terms of credit, with a market share of 7.42% (2016: 6.75%), thus consolidating its position in the banking system ranking, and contributing to the country's economic growth in general and to economic agents in particular.

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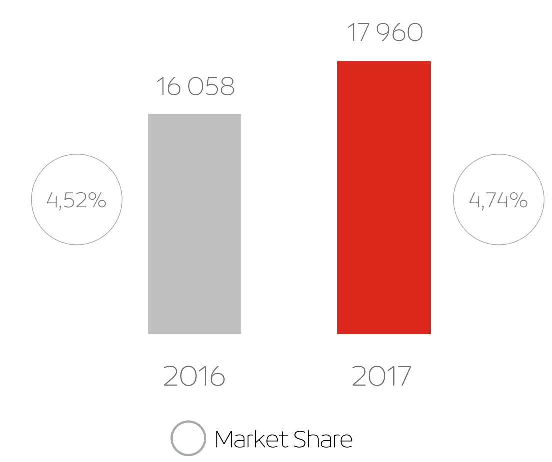
CUSTOMER DEPOSITS

In the past two years, the banking system's deposit portfolio has been showing weak growth levels, reflecting the country's economic situation which is hampered by restrictive monetary and tax policy. In 2017, total deposits in the system were MZN 369,945 million, translating into growth of only 5.8% over the same period in 2016.

Moza Banco's customer deposits amounted to MZN 17,960 million as of 31 December, 2017, an increase of 11.8% over the same period in 2016. It should be noted that the changes in the deposit portfolio reflect the gradual resumption of confidence levels in the market in general and of the Bank's customers in particular. This reflects the result of the Bank's new business approach as a Relational Bank, which has the customer as the centre of its strategic positioning.

Customer Deposits (Millions MZN)



The growth in the customer deposits portfolio was more pronounced in individual deposits, reflecting the Bank's strategic positioning as a universal bank with a diversified offer and a well-defined approach for each of its segments.

With the sound commercial performance of the Bank in deposit-taking, the growth in deposits in Moza Banco was higher than in the market, resulting in an increase in its position in the financial sector. Its market share in terms of deposits went from 4.52% in 2016 to 4.74% as of 31 December, 2017, ranking fifth in the list of the largest financial institutions in Mozambique.

REGULATORY CAPITAL

On 3 April 2017, the Bank of Mozambique approved the amendment of the equity regulation (Notice No. 8/GBM/2017) and the regulation on credit ratios and limits (Notice No. 9/GBM/2017) for credit institutions, in order to adapt them to the increasing risks related to banking, as well as to the dynamics of the domestic economy. In addition, on the same date, the Bank of Mozambique changed the minimum capital of credit institutions, financial companies and microfinance operators.

The new regulations have set new and more stringent capital requirements for credit institutions with effect from 2017.

This higher requirement results from a stricter definition of total equity and components, as well as the setting of new minimum amounts for the capital adequacy ratio, from 8% to 12%, to be phased in within three years (2017: 9% and 2018: 11% and 2019: 12%). Minimum share capital for banks went from MZN 70 million to MZN 1,700 million to be reached within a maximum period of three years.

11.3 Balance Sheet Review

In 2017, as part of the Moza Banco recapitalisation process, the Bank's shareholders increased their capital by an aggregate amount of MZN 11,712 million to meet the recent requirements of the Bank of Mozambique, as well as to ensure the implementation of the Strategic Plan (2017-2021). As a result, the Bank's share capital increased from MZN 2,129 million to MZN 13,841 million, reflecting a significant improvement in the Bank's stability and liquidity levels.

Millions of meticais	2016	2017	Chg.
Total Regulatory Equity	**(24 172)**	**4,254**	**< 100%**
Basic Equity (Tier I)	(4 742)	3,618	< 100%
Complementary Equity	3	726	< 100%
Deductions	(19 433)	(91)	(99.5%)
Risk Weighted Assets	24 446	18,130	(25.8%)
Core Capital Ratio (Tier I)	**(19.40%)**	**19.96%**	**39,35 pp**
Capital Adequacy Ratio	**(98.88%)**	**23.46%**	**122,34 pp**

The Tier I ratio at 31 December, 2017 stood at 19.96%, comparing favourably with the -19.40% recorded in 2016, as a result of the favourable changes to total equity derived from the capital increase, and a reduction in risk-weighted assets.

The capital adequacy ratio as at 31 December 2017 was 23.46% (2016: -98.88%) greatly exceeding the currently required minimum and current regulatory capital adequacy ratio of 9% and 12%, respectively.

LIQUIDITY

At the time of the Central Bank intervention in Moza Banco, on 30 September 2016, the Bank was in an unsustainable liquidity situation, reflecting the lack of availability to meet the needs of its customers.

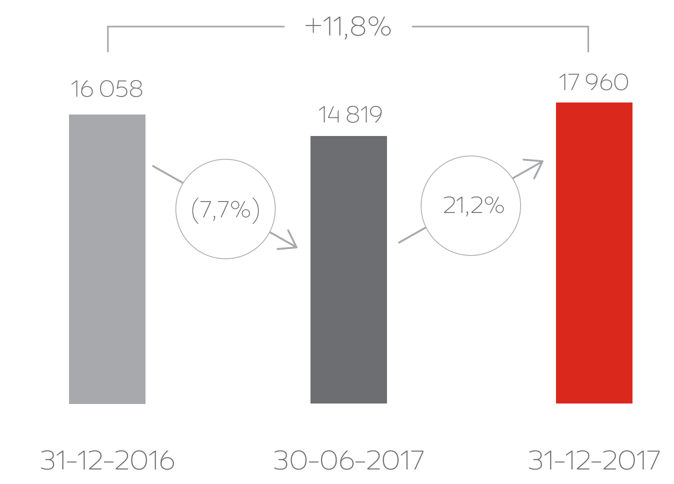
After the intervention, there was a rush to withdraw by depositors as a result of customer concern and distrust regarding the bank's future. This put further pressure on the difficult liquidity situation in which the Bank was.

In view of the significant deterioration in the Bank's liquidity, and in the context of scarce liquidity in the domestic market, Moza had to borrow from the Bank of Mozambique to minimize the effects of the Bank's difficult liquidity position and the flight of customer deposits. At the end of 2016, this loss amounted to MZN 12,067 million.

In the first half of 2017, the Bank's liquidity situation remained under strong pressure, with customer deposits down 7.7% compared to 31 December 2016. However, in the second half of 2017, with the success of the Bank's recapitalisation process which resulted in a capital increase of MZN 11,712 million, the Bank's liquidity levels improved significantly.

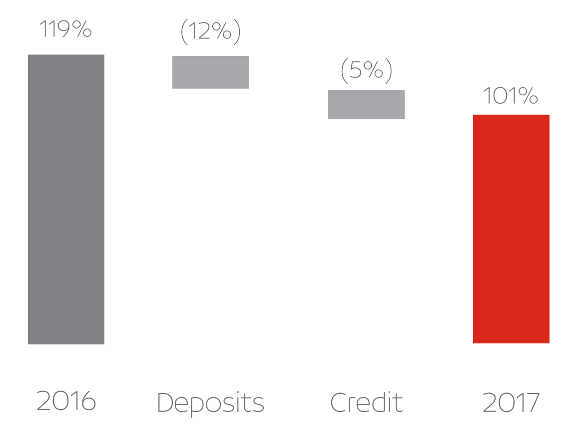
In addition, the new strategic positioning adopted by the Bank based on very strict quality standards and its transformation into a 'Relational Bank' began the process of recovering deposits in the second half of 2017, with an increase of 21.2% compared to the first half of 2017, and 11.8% compared to 31 December 2016.

Customer Deposits (Millions MZN)



Simultaneous with the efforts to recover customer deposits, Moza Banco de-leveraged its balance sheet by shrinking the loan portfolio to customers, resulting in a significant improvement in the loan-to-deposit ratio (the ratio that assesses the relationship between loans and deposits), which was fixed at 101% at the end of 2017.

Loan-to-deposit ratio



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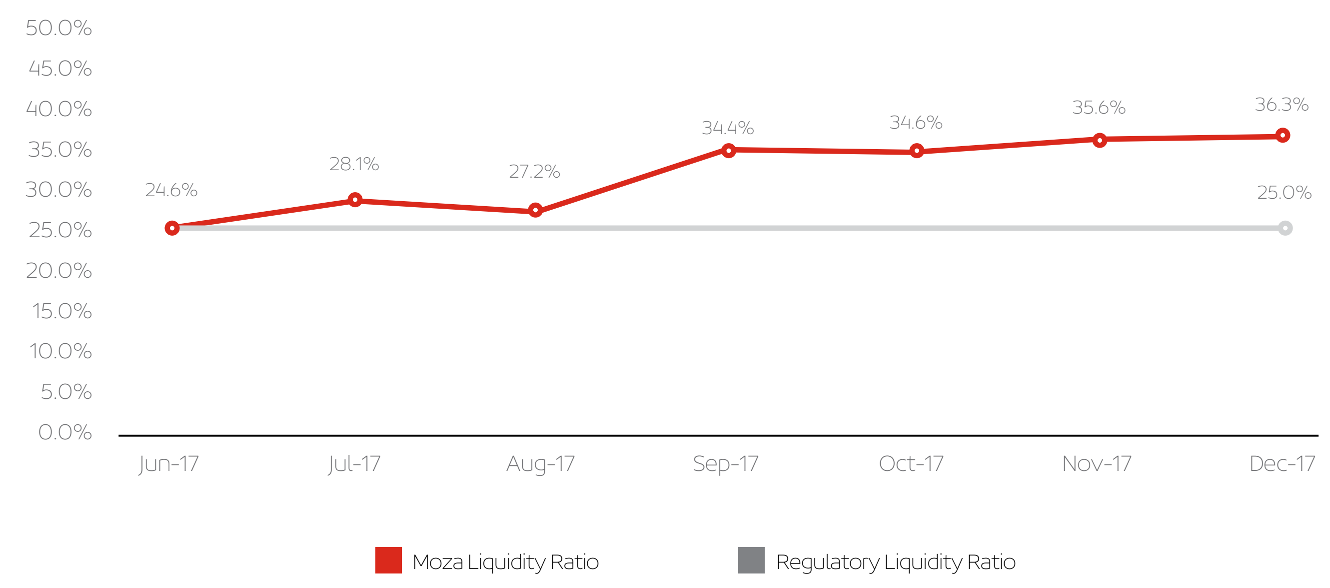
As of 31 December 2017, the Bank held a portfolio eligible for interbank money market operations (public debt securities, namely Treasury Bills and Bonds, purchased under resale agreement) of MZN 3,781 million, representing a growth of 8.3% compared to MZN 3,491 million posted in the same period in 2016. Public debt securities referred to above serve as collateral to cover the Bank's possible liquidity needs.

It should be noted that the inflow associated with the capital increase, coupled with the significant increase in customer deposits, the contraction in credit and cash flow generated by positive operating activity enabled the Bank to settle in full the outstanding debt of the liquidity support line obtained from the Bank of Mozambique, in line with the strategy defined by the shareholders and recommended in the Strategic Plan (2017-2021).

With a more stringent regulatory framework and the need to monitor liquidity levels within the domestic financial system, the Bank of Mozambique issued Notice 14/GBM/2017 in June 2017 on the liquidity requirements of credit institutions, in which they are obliged to comply with a continuous and permanent level of liquidity ratio of at least 25.0%.

At 31 December 2017, Moza Banco's liquidity ratio stood at 36.3%, levels considered adequate in relation to requirements and benchmarks, allowing the Bank to cover the current and future risks to which its business may be subject. The liquidity ratios presented by Moza Banco show that the Bank is able to stand by and fulfil all its commitments to customers, suppliers or any other stakeholder.

Liquidity Ratio



As regards 2018, the objective is to maintain liquidity indices growing in line with the trend that started in June 2017, by implementing measures leading to the de-leveraging of the balance sheet, through the sale of non-productive assets and the increase in customer deposits as a result of the reinforcement of customer's confidence, to create a greater reserve of additional liquidity.

12. Proposed Allocation of Results

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12.1 Proposed Allocation of Results

Considering the legal and statutory provisions and the Mozambican legislation in force, the Board of Directors of Moza Banco proposes, for the approval of the General Meeting, that the loss calculated in the financial year 2017 of MZN 1,458,836,094 shall be applied to retained earnings.

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

	Balance at 31.Dec.2017	Proposal			Balance at 31.Dec.2017
	(before proposed allocaion)	Legal Reserve	Dividends	Accumulated earnings	(after proposed allocation)
Share Capital	13 841 250 000	-	-	-	13 841 250 000
Legal Reserve	61 548 399	-	-	-	61 548 399
Other Reserves	(232 203 247)				(232 203 247)
Profit/ (loss) for the previous year	(5 013 868 783)			(1 458 836 094)	(6 472 704 877)
Profit/ (loss) for the year	(1 458 836 094)			1 458 836 094	-
	7 197 890 275	-	-	-	**7 197 890 275**

Chairman of the Board of Directors
Dr. João Figueiredo

Board Director
Dr. Manuel Guimarães

13. FINANCIAL STATEMENTS

Statement of Board of Directors' Responsibility

The Directors are responsible for preparing and properly presenting the financial statements of Moza Banco, SA, which comprise the statement of financial position, as at 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, as well as the notes to the financial statements, which include a summary of the main accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards.

The Directors are also responsible for the internal control system relevant to the preparation and proper presentation of these financial statements which are free from material misstatements due to fraud or error, and for maintaining proper accounting records and an effective risk management system.

The Directors have evaluated the Bank's ability to continue to operate with due observance of the assumption of continuity and found no reason not to believe that the Bank will continue to operate under this assumption in the near future.

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

Approval of financial statements

The financial statements of Moza Banco, S.A, as referred to in the first paragraph, were approved by the Board of Directors on 23 March 2018 and signed on its behalf by:

Chairman of the Board of Directors
Dr. João Figueiredo

Board Director
Dr. Manuel Guimarães

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Income Statement

MZN'000

	Note	2017	2016
Interest and similar income	4	4 002 726	3 679 334
Interest expense and similar charges	4	(2 034 775)	(2 733 522)
Net interest income	4	**1 967 951**	**945 812**
Fee and commission income	5	412 867	494 140
Fee and commission expenses	5	(88 505)	(108 006)
Net fee and commission income	5	**324 362**	**386 134**
Net Financial operations	6	175 017	(807 637)
Operating income		**2 467 330**	**524 310**
Net impairment charge	16,17,18,19	(1 405 806)	(2 145 332)
Net operating income		**1 061 524**	**(1 621 022)**
Staff costs	7	(943 033)	(1 005 023)
Depreciation and amortisation	20,21,22	(393 740)	(416 795)
Other operating expenses	8	(1 502 955)	(2 459 462)
Other operating income	8	412 246	62 344
Provisions	9	(91 358)	(677)
Loss for the year		**(1 457 316)**	**(5 440 634)**
Income taxes	10	-	-
Deferred tax	10	(1 520)	172 437
Loss for the year		**(1 458 836)**	**(5 268 198)**
Losses per share			
Basic	11	(5,60)	(61,86)
Diluted	11	(5,60)	(61,86)

Statement Of Comprehensive Income

MZN'000

	Notes	2017	2016
Loss for the year		(1 458 836)	(5 268 198)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available for sale financial assets	16	(333 277)	61 845
Deferred tax	10	53 324	(9 927)
		(279 953)	51 918
Comprehensive income for the year, net of tax		**(1 738 789)**	**(5 216 280)**

Statement Of Financial Position

MZN'000

	Note	2017	2016
ASSETS			
Cash and balances with Central Bank	12	806 636	1 043 993
Deposits with banks	13	115 484	471 493
Loans and advances to bank	14	2 359 783	1 029 673
Financial assets held for trading	15	2 487 818	1 231 806
Financial assets available for sale	16	2 527 884	3 341 270
Loans and advances to customers	17	15 281 038	17 146 038
Other assets	18	833 562	773 216
Non-current assets held for sale	19	409 388	417 067
Investment Propoerty	20	33 814	35 238
Tangible assets	21	1 212 439	1 517 408
Intangible assets	22	298 147	423 456
Current tax assets	23	115 775	92 165
Diferred tax assets	10	194 230	150 000
Total assets		**26 675 998**	**27 672 824**
LIABILITIES			
Deposits from banks	24	15 480	12 099 936
Deposits from customers	25	17 960 107	16 058 310
Financial trading liabilities and other financial liabilities at fair value	26	-	234 804
Consigned liabilities	27	208 251	439 653
Other liabilities	28	415 913	403 741
Debt securities issued	29	869 519	1 195 339
Deferred tax liabilities	10	8 839	16 413
Total liabilities		**19 478 108**	**30 448 195**
EQUITY			
Share capital	30	13 841 250	2 129 200
Fair value reserve	16	(232 203)	47 750
Reserves	31	61 548	61 548
Retained earnings		(5 013 869)	254 329
Loss for the year		(1 458 836)	(5 268 199)
Total equity		**7 197 890**	**(2 775 371)**
Total shareholder's equity and liabilities		**26 675 998**	**27 672 824**

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Statement Of Changes In Equity

MZN'000

	Share capital (note 30)	Reserves (note 31)	Fair value reserve (note 16)	Retained earnings	Profit / (loss) for the year	Total equity
	(nota 30)	(nota 31)	(nota 16)			
Balance at 01 January 2016	**2 129 192**	**49 287**	**(4 167)**	**184 849**	**81 741**	**2 440 902**
Allocation of prior year profit	-	12 261	-	69 480	(81 741)	-
Share capital increase	8	-	-	-	-	8
Fair value of financial assets available for sale (note 16)	-	-	61 844	-	-	61 844
Deferred taxes (note 10)	-	-	(9 927)	-	-	(9 927)
Profit for the year	-	-	-	-	(5 268 198)	(5 268 198)
Balance at 31 December 2016	**2 129 200**	**61 548**	**47 750**	**254 329**	**(5 268 198)**	**(2 775 371)**
Balance at 01 January 2017	**2 129 200**	**61 548**	**47 750**	**254 329**	**(5 268 198)**	**(2 775 371)**
Allocation of prior year profit	-	-	-	(5 268 198)	5 268 198	-
Share capital increase	11 712 050	-	-	-	-	11 712 050
Fair value of financial assets available for sale (note 16)	-	-	(333 277)	-	-	(333 277)
Deferred taxes (note 10)	-	-	53 324	-	-	53 324
Net profit for the period	-	-	-	-	(1 458 836)	(1 458 836)
Balance at 31 December 2017	**13 841 250**	**61 548**	**(232 203)**	**(5 013 869)**	**(1 458 836)**	**7 197 890**

Statement Of Cash Flows

MZN'000

	2017	2016
Cash flow from operating activities		
Profit/(loss) before tax	(1 457 316)	(5 440 634)
Adjustments for:		
Depreciation and amortisation	393 740	416 795
Impairment losses	1 597 177	1 669 458
Impairment of non-current assets held for sale	(204 687)	(204 687)
Impairment of other assets	13 316	679 884
Provisions	91 358	677
Gains on disposal of tangible assets	(2 072)	(2 879)
Adjustment of fair value	(333 277)	5 016
Write-off of intangible assets	4 485	406 755
Cash flow generated from operating activities	**102 723**	**(2 469 615)**
Movements in:		
Movement in the Central Bank balance		56 836
Loans and advances	267 823	(673 989)
Financial assets available for trading	**(1 256 011)**	**435 669**
Financial assets available for sale	1 018 073	(827 746)
Other assets	(60 345)	719 271
Non-current assets available for sale	(5 636)	(801 000)
Current tax assets	(23 610)	8 385
Financial liabilities trading other financial liabilities at fair value	(234 804)	234 804
Deposits from banks	(17 237)	(2 030 902)
Deposits from current accounts	1 901 797	(8 676 401)
Other liabilities	(79 188)	215 346
Net cash flow from operating activities	**1 510 861**	**(11 339 727)**
Cash flow from investments activities		
Acquisition of tangible assets	(47 780)	(371 632)
Acquisition of investments propoerty	-	(35 594)
Acquisition of intangible assets	(8 873)	(388 698)
Disposal of tangible/intangible assets	92 203	22 172
Net cash flow from investment activities	**35 550**	**(773 752)**
Cash flow from financing activities		
BdM liquidity support line	(12 067 219)	12 067 219
Share capital increase	11 712 050	8
Reimbursement of consigned liabilities	(231 402)	36 260
Repayment of debt securities	(325 819)	(214 355)
Net cash flow from financing activities	**(912 391)**	**11 889 132**
Increase/(decrease) in cash and cash equivalents	736 744	(2 693 962)
Cash and cash equivalents at beginning of the year	2 545 159	5 239 121
Cash and cash equivalents at the and of the year	3 281 903	2 545 159

Cash and cash equivalents are as follows:

	2017	2016
Cash and balances with Central Bank	806 636	1 043 993
Deposits with banks	115 484	471 493
Loans and advances to banks	2 359 783	1 029 673
	3 281 903	2 545 159

Notes to the financial statements

1. Introduction

Moza Banco, S.A. (hereinafter Moza Banco or Bank) is a private commercial bank, established in 2007 with headquarters in Maputo, whose shareholders are KUHANHA-Sociedade Gestora do Fundo de Pensões do Banco de Moçambique, Moçambique Capitais, S.A., Novo Banco Africa S.G.P.S, S.A. (Portuguese bank) and Dr. António Almeida Matos.

As part of the Bank's recapitalisation process, at the Extraordinary General Meeting of 23 January 2017 shareholders approved a capital increase worth Eight Thousand, One Hundred and Seventy Million Meticais (MZN 8,170,000,000). This increase marked the entry of a new shareholder into the capital structure, KUHANHA-Sociedade Gestora do Fundo de Pensões do Banco de Moçambique [Pension Fund Management Company of the Central Bank of Mozambique], holding 79.33% of the share capital. In addition, in order to ensure compliance with prudential ratios set forth in recent regulatory requirements, the shareholders, meeting at the Extraordinary General Meeting held on 06 November, 2017, approved another capital increase of Three Thousand Five Hundred and Forty-Two Million and Fifty Thousand Meticais (MZN 3,542,050,000), which was fully guaranteed by Kuhanha, which now holds 84.62% of the share capital.

Moza Banco is governed by its articles of association and all the relevant legislation applicable to the financial sector in Mozambique.

Moza Banco's main activity is to provide universal banking services nationwide based on its 53 branch network (3rd largest branch network in the Mozambican banking system) and to offer competitive products and services to a wide range of Corporate, Private and Retail customers.

1.1. Basis of presentation

In compliance with the Central Bank of Mozambique regulations and requirements on financial reporting, the financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the basis of the historical cost principle, changed by the application of fair value where the accounting policies indicate specifically.

The financial statements for the year ended 31 December, 2017 were approved and authorised for issue by the Board of Directors on 23 March, 2018.

1.2. Functional and presentation currency

The Bank's functional currency is the Metical and the financial statements are prepared and presented in this currency, rounded to thousands of Meticais, unless otherwise stated.

1.3. Significant accounting judgements and estimates

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

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

The Bank reviews its performing and overdue loans periodically to assess whether an impairment allowance should be recorded in profit or loss. In particular, when determining the level of potential impairment the Board of Directors resorts to estimations of the asset's recoverable value in the calculation the future cash flows. Such estimates are based on past experience and assumptions about a number of factors, and actual results may differ, resulting in future changes to the impairment allowance.

In addition to specific impairment allowances against individual significant loans and advances, the Bank also makes a collective impairment allowance against exposures which, although a specific need to recognize the impairment loss has not been identified, have a greater risk of default than when originally granted. This takes into consideration factors such as credit quality, namely the average ratio between the overdue loans and the total portfolio, for the last three years, supported by statistical models, internationally applied and duly adapted to the Bank's circumstances.

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

FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flows (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Changes in assumptions about these factors could affect the reported fair value of financial statements:

Level 1 – Listed market price (unadjusted) in an active market for an identical instrument;

Level 2 – Valuation techniques based on observable data, either directly (i.e. such as prices) or indirectly (i.e. deriving from prices). This category includes instruments valued at listed market prices in active markets for similar instruments; listed prices for identical or similar instruments in markets considered less active; or other valuation techniques in which all input factors are either directly or indirectly observable from market data;

Level 3 – Valuation techniques using significant, non-observable input factors. This category includes all instruments whose valuation technique uses any input which is not based on observable data and when non-observable input has a significant effect on the instrument's valuation. This category includes instruments the valuation of which is based on the prices of similar instruments, whenever there is a need for significant, non-observable adjustments or assumptions to reflect the differences between the instruments.

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

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

INCOME TAXES

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

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

The Board of Directors considers that it has fulfilled all tax obligations that the Bank is subject to.

1.4. ACCOUNTING POLICIES

The main accounting policies applied in preparing the financial statements are set out below. These policies have been consistently applied to all the years presented:

A) FOREIGN EXCHANGE TRANSACTIONS

These annual financial statements are presented in thousand Meticais, which is the Bank's functional and presentation currency. Transactions in foreign currency are recognised based on the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency are recognised at the average exchange rate at the balance sheet date. Unrealised exchange differences are recognised in income in the period to which they relate. Non-monetary assets and liabilities denominated in foreign currencies determined by their historical cost are converted at the exchange rate prevailing on the transaction date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are converted into the functional currency at the exchange spot rate on the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are converted using the spot exchange rate on the date of transaction. Foreign currency differences arising on conversion are recognised in profit or loss.

B) FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

i) Date of recognition

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

ii) Initial recognition of financial instruments

The classification of financial instrument at initial recognition depends on the purpose for which the Bank acquired it. All financial instruments are measured initially at their fair value plus trade costs, save in the case of financial assets and at fair value through profit or loss, in which case such trade costs are directly recognised in income.

iii) Day one profit or loss

Where the trade price is different from the fair value of other current market transactions in the same instrument, or based on a valuation technique whose variables include only data from markets, the Bank immediately recognises the difference between the trade price and fair value (a day one profit or loss) in the income statement. In cases where fair value is determined using data which is not available in markets, the difference between the trade price and pricing model is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

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C) FINANCIAL INSTRUMENTS - CLASSIFICATION

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

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

i) Financial assets held for trading

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

Included in this classification are debt securities and equities that have been acquired with the main purpose of selling them in the short term.

ii) Available-for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans granted or accounts receivable, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial investments are measured at fair value, with the exception of the equity instruments not quoted in an active market whose fair value cannot be estimated reliably and, therefore, are recognised at amortised cost.

Any gain or loss resulting from an available-for-sale financial asset is recognised directly in equity until derecognition of the financial asset, at which point the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss.

iii) Held-to-maturity financial assets

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

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

iv) Loans and accounts receivable

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

After initial measurement, amounts due to banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR).

The amortisation is included in 'Interest and similar income' in income statement. The losses arising from impairment are recognised in the statement of profit or loss.

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

i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities at fair value through profit or loss. Financial liabilities held for trading are acquired for the purpose of disposal in the near future. This category also includes derivative financial instruments that are not designated as hedging instruments as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities classified at fair value through profit or loss are recorded at the date of initial recognition, and only if the criterion in IAS 39 is met. The Bank has not designated any financial instrument in this category as at the reference date of this financial statement.

ii) Loans and accounts payable

This is the most relevant category for the Bank. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The effective interest rate (EIR) amortisation is included as finance costs in the income statement.

D) DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets are derecognised when:

- The rights to receive cash flows from the asset have expired; and
- The Bank has transferred substantially all the risks and rewards associated with their retention or despite retaining a portion, but not substantially all the risks and rewards associated with its retention, the Bank has transferred control over the assets.

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

Financial liabilities are derecognised when:

- The obligation under the liability is discharged or an existing financial liability is replaced by another, from the same lender, on substantially different terms, and this change or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective book value is recognised in profit or loss.

E) AMORTISED COST MEASUREMENT

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, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

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F) FAIR VALUE MEASUREMENT

The Bank measures financial instruments at fair value at each reporting date. Fair value assumes that the asset or liability is traded between market participants in an orderly sale of the asset or transfer of the liability at the measurement date under the prevailing market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the main market for that asset or liability; or
- In the absence of a main market, in the most advantageous market for such asset or liability.

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

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

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

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

The fair value measurement of all assets and liabilities for which fair value is measured or disclosed in the financial statements is categorised within the fair value hierarchy, described below, in the level of the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities to which the entity has access on the measurement date;

Level 2 – Fair value based on market inputs that although not included in Level 1 are observable, either directly or indirectly, in the market for assets or liabilities;

Level 3 – Fair value of assets and liabilities is measured using inputs that are not based on observable market information.

For assets and liabilities whose fair values are measured on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement).

G) IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Bank assesses whether there is any objective evidence that a financial asset or a portfolio of financial assets is impaired. After initial recognition, a financial asset or a portfolio of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events, and that loss event (or events) has an impact on the estimated future cash flows. Evidence of impairment may include a number of indicators, such as the exposure of each customer to overdue loans, evidence of financial difficulties on the part of the customer and their ability to meet future obligations, and the customer's assets are in liquidation or bankruptcy.

i) Available-for sale financial assets

An asset recognised in this category is impaired when there has been a significant decline in the fair value for a prolonged period of time. The concept of 'significant' is evaluated against the original acquisition cost, and 'prolonged' concept against the period in which the fair value has been below its acquisition cost.

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

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

ii) Loans and advances to customers

For loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a portfolio of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence of an impairment loss on loans and advances to customers, or held-to-maturity investments measured at amortised cost, the impairment loss is measured as the difference between the present value of estimated future cash flows, excluding the original effective rate of each contract and the book value of each credit, and the amount of the loss is recognised in the income statement. The book value of impaired loans is presented in the net balance sheet of accumulated impairment losses.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (EIR). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate (EIR). The calculation of the current 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 likely.

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

> Failure to comply with contractual clauses such as arrears of interest or principal;

> Incidents of defaults in the financial system;

> Any existing operations deriving from credit restructuring or credit restructuring negotiations in progress;

> Borrower or debt issuing entity's significant financial difficulties;

> Existence of a strong probability of a declaration of bankruptcy by the borrower or debt issuing entity;

> A decrease in the borrower's competitiveness; and

> Historical records of collections suggesting that the nominal value will never be fully recovered.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that show the borrower' ability to pay all amounts due according to the contract terms. The Bank's collective impairment takes into consideration the average of the credit quality for the last two years. The Bank takes into account the credit quality which is obtained from the ratio between overdue loans and the total portfolio.

Collective impairment losses are determined by taking into account the historical experience of losses in portfolios of similar risk, knowledge of the economic environment and its influence on the level of historical losses and the estimated period between the occurrence and its identification. The methodology and assumptions used to estimate future cash flows are reviewed regularly to reduce the differences between the estimates and the current level of losses.

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

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iii) Held-to-maturity assets

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

If, in the subsequent year, the amount of the estimated impairment loss decreases as a result of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the income statement.

iv) Renegotiated loans

Whenever possible, the Bank seeks to renegotiate loans rather than exercising the option on collateral. This means that the deadline for repaying the loan may be extended. Once the terms have been renegotiated, the loan is no longer considered past due. The Board of Directors continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate (EIR).

v) Collateral valuation

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

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

vi) Repossessed collateral

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold.

Assets determined to be useful for internal operations are transferred to their relevant asset class at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to non current assets held for sale at their fair value less cost to sell at the repossession date in line with the Bank's policy.

H) OFFSETTING FINANCIAL INSTRUMENTS

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

I) FINANCIAL GUARANTEES

In the course of its current activity, the Bank provides financial guarantees, such as letters of credit, guarantees and sureties. Financial guarantees are initially recognised in the financial statements (in 'Other liabilities') at fair value, and the premium is received.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less accumulated amortisation recognised in the income statement and the best estimate of the amount required to settle any obligation that may arise as a result of the guarantee.

Any increase in the amount of the liability relating to guarantees is recognised in the income statement within Expenses with credit-related impairment losses. The premium received is recognised in the income statement under 'Net income from fees and commissions' on the basis of the guarantee service life.

J) 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. Recognition of revenue meets the following criteria by account heading:

i) Interest, income and similar expenses

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale, interest income or expense is recorded at the effective interest rate (EIR). The effective interest rate (EIR) is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. To determine the effective interest rate (EIR), estimated future cash flow takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees that are an integral part of the effective interest rate (EIR), transaction costs and all premiums directly attributable to the transaction.

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

ii) Fee and commission income

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

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

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

iv) Fee income from providing services

These fees are recognised as revenue when a service has been completed.

v) Net income from financial operations

Net income from financial operations includes gains and losses arising from transactions in foreign currency and conversion of foreign currency monetary items. In addition, the Bank recognises fair value gains or losses from its financial assets held for trading.

vi) Derivative financial instruments

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

K) CASH AND CASH EQUIVALENTS

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

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L) NON-CURRENT ASSETS HELD FOR SALE

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

1) There should be a strong probability of the sale;

2) The asset should be available for immediate sale in its present state; and

3) The sale should be expected to occur within a year from the asset's classification in the said heading.

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

The Board of Directors must make every effort to ensure that the sale takes place within one year from the date of the classification.

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

M) TANGIBLE ASSETS

Tangible assets are recognised at their acquisition cost, minus accumulated depreciation and impairment losses. The costs of repairing part of a tangible asset are recognised if they are likely to produce future economic benefits for the Bank and can be reliably measured.

Maintenance and repair and other associated costs are only recognised in the income statement for the period in which they are incurred.

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

	Years
Property	25
Leased buildings	10
Equipment	10
Other	4 - 5

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset is recognised in 'Other operating income' or 'Other operating expense' in the income statement in the year the asset is derecognised.

N) INTANGIBLE ASSETS

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

Expenditure on internally developed software is recognised as an asset if the Bank is able to demonstrate its intention and ability to generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are depreciated over its useful life. Internally developed software is stated at capitalised cost less accumulated depreciation and impairment.

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

O) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

The reversal is limited to the value of its recoverable amount, and the previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

P) TAXES

1) Current tax

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

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

2) Deferred tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

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

Q) LEASE AGREEMENTS

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

Operating leases – Bank as lessee

The leases for which the Bank does not substantially transfer all the risks and benefits inherent to ownership of an asset are classified as operating leases and the relevant payments are recognised as an expense on a straight-line basis over the lease term.

R) DIVIDENDS FROM ORDINARY SHARES

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

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

S) EQUITY RESERVES

The reserves recorded in equity on the Bank's balance sheet include the available-for-sale reserve, which comprises changes in fair value of available-for-sale investments.

2. Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 31 December 2017. The Bank has not yet applied the following new standards or changes in the preparation of these financial statements:

IFRS 9 - FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of the IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early adoption permitted. IFRS 9 replaces the IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued an amendment entitled 'Prepayment Features with Negative Compensation (Amendment to IFRS 9)'. The amendment is effective for annual periods beginning on or after 01 January 2019, with early adoption permitted.

The Bank will apply IFRS 9 as issued in July 2014 initially on 1 January, 2018 and based on assessments carried out to date. The estimated total adjustment (net of taxes) for the adoption of IFRS 9 in the opening balance of the Bank's equity capital on 1 January 2018 is approximately 232 million Meticais, representing:

- An increase of approximately 276 million Meticais associated with the classification requirements for treasury bonds, redemption of securities, corporate bonds and variable yield shares (see (i) and (iii)); and
- A reduction of approximately 44 million Meticais related to deferred tax impacts;

The aforementioned impact is preliminary in view of the fact that not all transition work has been completed. The actual impact of the adoption of IFRS on 1 January 2018 may change for the following reasons:

- IFRS 9 requires a review of its accounting procedures and internal controls which has not yet been completed;
- The Bank has not yet completed the testing and assessment of controls on its new computerised information systems and changes in its governance structure;
- The Bank is upgrading and finalising its models for ECL calculations; and
- The new accounting policies, assumptions, judgments and estimation techniques implemented are subject to change until the Bank completes its first financial statements that include the date of the initial application.

i. Classification - Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets and their cash flow characteristics are managed.

IFRS 9 includes three main classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. It eliminates the existing categories of IAS 39 namely: held-to-maturity, loans and accounts receivable and available for sale.

A financial asset is measured at amortised cost if it meets the following conditions at the same time and is not designated at fair value through profit or loss, provided that:

- It is held within a business model whose purpose is to hold assets in order to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it satisfies both conditions and is not designated at fair value through profit or loss, provided that:

- It is held in a business model whose purpose is the collection of contractual cash flows and the sale of financial assets; and
- Its contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal, amount outstanding.

When recognising a capital investment that is not held for trading, the Bank may irrevocably choose to present subsequent changes in fair value through other comprehensive income. The option is made on an investment-by-investment basis.

All financial assets not classified at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. Furthermore, upon initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as fair value through profit or loss and, if so, eliminate or significantly reduce the difference that would otherwise result.

A financial asset is classified in one of these classes on initial recognition.

In accordance with IFRS 9, derivatives embedded in contracts in which the whole is a financial asset under IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is rated for classification.

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EVALUATION OF BUSINESS MODEL

The Bank will perform an assessment on the purpose of the business model in which a financial asset is held at the portfolio level because this better reflects the way the business is managed and the information is provided to management. The information to be considered includes:

- The policies and objectives set for the portfolio and the operation of these policies in practice, including whether the management strategy focuses on obtaining contractual interest income while maintaining a particular interest rate profile, combining the duration of financial assets with the duration of liabilities that generate these assets or perform cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- Risks that affect the performance of the business model (and the financial assets held at the business model level) and how those risks are managed;
- How business managers are remunerated - for example, whether remuneration is based on the fair value of the assets managed or the contractual cash flows collected.

Financial assets held for trading and those whose performance is measured at fair value will be measured at fair value through profit or loss, because they are neither held to collect contractual cash flows nor to collect contractual cash flows and sell the financial assets.

ASSESSMENT OF WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST

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

In assessing whether contractual cash flows are only payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include the assessment if the financial asset contains a contractual term that may change the time line or amount of the contractual cash flows so that it does not meet this condition. In making the evaluation, the Bank will consider:

- Contingent events that will change the value and timing of cash flows;
- Payment terms and extension of deadlines;
- Terms that limit the Bank from requiring the cash flows of certain assets - for example: asset agreements without recourse;
- Resources that modify consideration for the value of money over time - for example, periodically renewing interest rates.

The Bank's interest rates on certain retail loans are based on standard variable rates (SVRs), which are defined at the discretion of the Bank. These rates (SVRs) are generally based on a central bank rate in a particular jurisdiction and also include a discretionary spread. In such cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion, and consider a number of factors, including:

- Borrowers who are able to make advance payment of loans without significant fines;
- Market competition to ensure that interest rates are consistent across banks; and
- Any regulatory or customer protection framework that requires banks to treat customers fairly.

All of the Bank's retail loans and certain fixed rate corporate loans contain a prepayment feature.

A prepayment feature is consistent with the SPPI criterion if a financial asset is acquired or is the result of a premium or discount to its contract value, if the prepayment amount substantially represents the contractual value plus accrued (but unpaid) contractual interest, (which may also include reasonable compensation for early termination), and if the fair value of the prepayment facility is insignificant at initial recognition.

IMPACT ASSESSMENT

The standard will affect the classification and measurement of financial assets held on 1 January, 2018, as follows:

- Assets held for trading and derivative assets held for risk management, which are classified as held for trading and measured at fair value through profit or loss in accordance with IAS 39, will also be measured at fair value through profit or loss in accordance with IFRS 9.
- Loans and advances to banks and customers that are classified as loans and accounts receivable and measured at amortised cost in accordance with IAS 39 will also be measured at amortised cost in accordance with IFRS 9.
- Held-to-maturity investment securities measured at amortised cost in accordance with IAS 39 will also be measured at amortised cost in accordance with IFRS 9.
- Debt instruments that are classified as available for sale in accordance with IAS 39 may in the light of IFRS 9 be measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the specific circumstances.
- Loans and advances to customers and investment securities that are designated at fair value through profit or loss in accordance with IAS 39 will continue to be measured at fair value through profit or loss in accordance with IFRS 9.
- Most equity investments that are classified as available for sale in accordance with IAS 39 will be measured at fair value through profit or loss in accordance with IFRS 9. However, some of these investment securities are held for long-term strategic purposes and will be designated as fair value through other comprehensive income on 1 January, 2018.

Impairment - Financial assets, loan commitments and financial guarantee contracts.

IFRS 9 replaces the 'losses incurred' model in IAS 39 with the forward-looking model of 'expected credit losses' (ECLs). This will require considerable judgement on how changes in economic factors affect ECLs, which will be weighted according to probabilities.

The new impairment model applies to the following financial instruments that are not measured at fair value through profit or loss:

- Financial assets that are debt instruments;
- Accounts receivable from leases; and
- Loan commitments and financial guarantee contracts issued (previously, impairment was measured in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets).

In accordance with IFRS 9, no impairment loss is recognised in equity investments.

IFRS 9 requires that a compensation for loss be recognised as an amount equal to 12-month ECLs or ECL to maturity, which result from all possible default events during the expected life of a financial instrument, whereas 12-month ECLs are the proportion of ECLs that result from default events that are possible 12 months after the reporting date.

The Bank will recognise impairment at the equal value of the ECLs until maturity, except in the following cases, for which the recognised amount will be 12-month ECLs:

- Debt investment securities that were determined to have a low credit risk at the reporting date. The Bank considers that a debt security has a low credit risk when the credit risk classification is equivalent to the overall definition of the 'investment classification'; and
- Other financial instruments (other than lease receivables) for which credit risk has not increased significantly since the initial recognition.

Impairment of accounts receivable from leases will always be measured at an amount equal to the ECLs until maturity.

The IFRS 9 impairment requirements are complex and require judgments, estimates and management assumptions particularly in the following areas, which are discussed in detail as follows:

- Assess whether the credit risk of an instrument has increased significantly since the initial recognition; and
- Incorporate forward-looking information into the measurement of ECLs.

MEASUREMENT OF ECLS

ECLs are weighted estimates of the probability of credit losses and will be measured as follows:

- Financial assets that are not credit impaired at the reporting date: the present value of all cash shortfalls - that is, the difference between the cash flows due to the entity under the contract and the cash flows that the Bank expects to receive;
- Financial assets that are credit impaired at the reporting date: the difference between the gross carrying amount and the present value of the estimated future cash flows;
- Unrealised loan commitment: the present value of the difference between the contractual cash flows that are owed to the Bank if the commitment is made and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of the expected payments to repay the holder less the amounts that the Bank expects to recover;

Financial assets that are impaired are defined by IFRS 9 similarly to financial assets that are impaired in accordance with IAS 39.

DEFINITION OF DEFAULT

In accordance with IFRS 9, the Bank will consider a financial asset in default when:

- It is unlikely that the borrower will repay their credit obligations to the Bank in their entirety, without recourse by the Bank to actions such as the execution of the guarantee (if any); or
- The borrower is liable for more than 90 days in any material credit obligation to the Bank.
- Overdrafts are considered overdue once the customer has breached the recommended threshold or been advised of a lower limit relative to the current outstanding value.

This definition is substantially consistent with the definition that will be used for regulatory purposes.

In assessing whether the borrower is in default, the Bank will consider the following indicators:

- Qualitative: for example, breaches of contractual clauses;
- Quantitative: for example, past due situation and non-payment of another obligation from the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

The results of the assessment of whether a financial instrument is in default and its importance may vary over time to reflect changes in circumstances

SIGNIFICANT INCREASE IN CREDIT RISK

In accordance with IFRS 9, when determining whether credit risk (risk of default) on financial instruments has increased significantly since the initial recognition, the Bank will consider reasonable and sustainable information that is relevant and available at no cost or unnecessary effort, including quantitative and qualitative information and analysis based on the Bank's past experience, specialised credit assessment and forward-looking information.

The Bank will initially identify whether a significant increase in credit risk has occurred for an exposure by comparing with:

- The probability of default (PD) until maturity at the reporting date; with
- The remaining maturity of PD at this point in time that was estimated at the initial recognition of exposure.

Assess whether credit risk has increased significantly, since the initial recognition of a financial instrument requires the identification of the instrument's initial recognition date. For certain revolving credit lines (credit cards and overdrafts), the date the credit was first granted may be old. Changes to the contractual terms of a financial instrument may also affect that valuation, which is discussed below.

CREDIT RISK CATEGORIES

The Bank will allocate each exposure to a degree of credit risk based on the variety of data that is determined as predictive of the risk of default and application of judgement to the credit experience. The Bank will use these notes to identify significant increases in credit risk in accordance with IFRS 9. Credit risk categories are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated so that the risk of default increases exponentially as credit risk deteriorates - for example: the difference in the risk of default between credit risk categories 1 and 2 is less than the difference between credit risk categories 2 and 3.

Each exposure will be allocated to a category of credit risk at initial recognition based on available information about the borrower. Exposures will be subject to continuous monitoring, which may result in exposure being moved to a different credit risk classification.

CREATION OF PD STRUCTURE

Credit risk categories will be a primary 'input' in determining the PD term structure for exposures. The Bank will collect performance and default information on its credit risk exposures reviewed by jurisdiction, product type and borrower and by credit risk classification. For some portfolios, information obtained from external credit reference agencies may also be used.

The Bank will use statistical models to review any data collected and generate estimates of the remaining PD maturity of exposures and how these should change over time.

This analysis will include identifying and calibrating the relationships between changes in default rates and changes in key macroeconomic factors, as well as in-depth analysis of the impact of other factors (e.g. tolerance experience) on the risk of default. For most exposures, key macroeconomic indicators are likely to include GDP growth, benchmark interest rates and unemployment.

For exposures to specific industries and/or regions, this analysis may extend to relevant commodity prices and/or property prices.

The Bank's approach to incorporating forward-looking information in this evaluation is discussed below.

Determining whether credit risk has increased significantly

The Bank has established a framework that covers quantitative and qualitative information to determine whether credit risk for a specific financial instrument has increased significantly since the initial recognition. The structure is aligned with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary according to the portfolio and will include a backstop based on delinquency.

The Bank will consider that the credit risk of a specific exposure has increased significantly since the initial recognition if, based on the Bank's quantitative modelling, the remaining useful life of the PD is determined to have increased since initial recognition. When measuring increases in credit risk to the remaining useful life of ECLs they are adjusted for changes in maturity.

In certain cases, using its specialised credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit with specific qualitative factors, and thus, these indicators may not be fully captured by the Bank for timely quantitative analysis. As a non-return and as required by IFRS 9, the Bank will consider that a significant increase in credit risk occurs at the latest when an asset is past due for more than 30 days. The Bank will determine the days past due by counting the number of days from the first maturity date for which the full payment has not been received.

The Bank will monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular review to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes overdue for more than 30 days;
- The average time between identifying a significant increase in credit risk and non-compliance appears reasonable; and
- Exposures are not directly transferred from the 12-month ECL measurement to credit impairment.
- There is no unjustified volatility in the calculation of impairment of transfers between the 12-month ECL and ECL to maturity measurements.

MODIFIED FINANCIAL ASSETS

Long-term contractual terms may be amended for a number of reasons, including changes in market conditions, customer retention, and other factors unrelated to a current or potential credit deterioration of the customer. An existing loan whose terms have been amended may be derecognised and the renegotiated loan recognised as a new loan at fair value.

In accordance with IFRS 9, when the terms of a financial asset are amended and the amendment does not result in derecognition, the decision as to whether the credit risk of the asset has increased significantly reflects the comparison of:

- Remaining useful life of PD at reporting date based on modified terms; and
- Remaining useful life of PD estimated on the basis of the initial recognition data and the original terms of the contract.

The Bank renegotiates loans to customers in financial difficulties (so-called 'tolerance activities') to maximise collection opportunities and minimise the risk of default. According to the Bank's tolerance policy, loan tolerance is selectively granted if the borrower is currently defaulting on their debt or if there is a high risk of default, there is evidence that the borrower has made reasonable efforts to pay, there is evidence that the borrower has made every reasonable effort to make the payment in accordance with the original contractual terms and the borrower can comply with the revised terms.

Revised terms generally include extending the maturity period, changing the period of interest payments and amending the terms of the loan clauses. Both retail loans and corporate loans are subject to the tolerance policy. The Credit Board regularly reviews the reports on tolerance activities.

For financial assets changed as part of the Bank's tolerance policy, the PD estimate will reflect whether the change has improved or restored the Bank's ability to collect interest and the Bank's previous capital and experience of similar tolerance procedures. Within this process, the Bank will evaluate the borrower's repayment performance against the changed contractual terms and will consider different behavioural indicators.

Generally, tolerance is a qualitative indicator of credit default and impairment and expectations of tolerance are relevant to assessing whether there is a significant increase in credit risk. After tolerance, a customer must consistently demonstrate proper payment behaviour over a stipulated period before the exposure is no longer considered to be in credit default/impairment or if the PD is deemed to have decreased so that impairment is measured at an amount equal to the 12-month ECLs

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INPUTS IN MEASURING ECLS

The main inputs in measuring ECLs are probably the structures of the terms of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a given date, which will be calculated on the basis of statistical classification models and evaluated using classification tools adapted to the various categories of counterparties and exposures.

These statistical models will rely on internally compiled data, including both qualitative and quantitative factors. If available, market data may also be used to derive PD for large business counterparties. If a counterparty or exposure migrates between classification classes, this will result in a change in the estimate of the associated PD. PDs will be estimated considering the contractual terms of the relevant exposures and the estimated rates of prepayment.

LGD is the magnitude of the probable loss in case of a default. The Bank will estimate the LGD parameters based on the historical recovery rates of claims against counterparties in default. LGD models take into consideration the structure, guarantee, seniority of the litigation, the counterparties' industry and the costs of recovering any collateral that is an integral part of the financial asset. For retail-backed loans, loan-to-value ratios (LTV) are likely to be a key parameter in determining LGD. LGD estimates will be calibrated for different economic scenarios and for mortgages to reflect possible changes in property prices. They will be calculated based on discounted cash flow using the effective interest rate (EIR) as the discount factor.

The EAD represents the expected exposure in the event of default. The Bank will derive the EAD from the current exposure to the counterparty and the potential changes to the current value allowed in the agreement, including amortisation and prepayment. The EAD of a financial asset will be the gross carrying amount in respect of the default situation. For loan commitments and financial guarantees, the EAD will consider the amount withdrawn as well as any future amounts that may be withdrawn or reimbursed under the contract, which will be estimated on the basis of historical observations and forecasts for the future. For some financial assets, the Bank will determine the EAD by modelling the range of possible exposure outcomes at various times using the scenario and statistical techniques.

As described above, and subject to a maximum PD of 12 months for financial assets for which credit risk has not increased significantly, the Bank will measure ECLs by considering the risk of default during the maximum contractual period (including extension of any borrower) that is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends until the date on which the Bank has the right to demand repayment of an advance or to terminate a loan undertaking or guarantee.

For overdrafts, credit cards and secured current accounts that include both a loan and an unused commitment do not limit the Bank's exposure to credit losses in the contractual notice period. These loans do not have a fixed term or repayment structure and are managed collectively. The Bank may cancel them with immediate effect, but this contractual right is not applied in normal day-to-day management, but only when the Bank becomes aware that the level of credit risk has increased. This longer period will be estimated taking into account the credit risk management actions that the Bank expects to take and which serve to mitigate ECLs. These include a reduction in the limits and cancellation of the loan.

When the modelling of a parameter is carried out collectively, the financial instruments will be deposited based on shared risk characteristics that include:

- Type of instrument;
- Credit risk categories;
- Type of guarantee;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographical location of the borrower.

FORWARD-LOOKING INFORMATION

In accordance with IFRS 9, the Bank will incorporate forward-looking information both in assessing whether the credit risk of an instrument has increased significantly since the initial recognition and measurement of ECLs. The Bank will draw a 'baseline scenario' on the future direction of the relevant economic variables and a representative range of other possible forecast scenarios based on the Risk Department's proposal and consideration of a variety of actual information and external forecasts. This process will involve the development of two or more additional economic scenarios and consider the relative probabilities of each outcome. External information may include economic data and forecasts published by Mozambican government and monetary authorities, international organisations such as the World Bank and the International Monetary Fund.

The baseline scenario will represent a very likely outcome and will be aligned with the information used by the Bank for other purposes, such as strategic planning and budgeting. Any other scenario will feature more optimistic and more pessimistic. The Bank will periodically conduct stress-testing for more extreme shocks so that it can calibrate other representative scenarios.

The Bank has identified and documented the main credit risk factors and credit losses for each portfolio of financial instruments and, using a historical data analysis, estimated the relationships between macroeconomic variables, credit risk and credit losses. These main factors include interest rates, unemployment rates and GDP forecasts. The predicted relationship between key indicators and default and loss rates in various financial asset portfolios has been developed based on analysis of historical data over the past 5 years.

The economic scenarios used will be approved by the Risk Committee.

IMPACT ASSESSMENT

The new impairment requirements should be the most significant impact on the Bank's financial statements resulting from the implementation of IFRS 9. Impairment losses will increase and will become more volatile for financial instruments under the IFRS 9 impairment model.

IFRS 9 largely retains the requirements of IAS 39 for the classification of financial liabilities

iii. Classification - financial liabilities

However, in accordance with IAS 39, all changes in the fair value of financial liabilities designated as fair value through profit or loss are recognised in profit or loss, whereas, in accordance with IFRS 9, these changes in fair value will generally be presented as follows:

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in other comprehensive income; and
- The remaining amount of the change in fair value will be presented in profit or loss.

The Bank has designated debt securities issued at fair value through profit or loss when it holds derivatives related to fair value through profit or loss and the designation thereby eliminates or significantly reduces the difference that otherwise would result.

iv. Derecognition and amendment of the contract

IFRS 9 incorporates the requirements of IAS 39 for derecognition of financial assets and financial liabilities without substantive changes.

However, it does contain specific guidance for accounting when the change of a financial instrument not measured at fair value through profit or loss does not result in derecognition. In accordance with IFRS 9, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the contractual cash flows modified at the original effective interest rate (EIR) and recognising any adjustment resulting from the change in gain or loss of profit or loss. In accordance with IAS 39, the Bank does not recognise gains or losses on profit or loss in the changes to financial liabilities and financial assets in difficulties that do not result in their derecognition.

The Bank expects an immaterial impact in relation to the adoption of these new requirements.

v. Disclosures

IFRS 9 will require outside disclosures, particularly on credit risk and ELCs.

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vi. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Bank will take advantage of the exemption that allows non-reassessment of comparative information for prior periods in relation to classification and measurement (including impairment). Differences in changes to the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as of 1 January 2018.

The following assessments should be made based on the facts and circumstances that existed at the time of application.

- Determination of the business model within which a financial asset is realised.
- The designation and revocation of prior designations of certain financial assets and financial liabilities, as measured at fair value through profit or loss.
- The designation of certain investments in equity instruments not held for trading at fair value through other comprehensive income.
- For a financial liability designated at fair value through profit or loss, the decision to present the effects of the changes in the credit risk of the financial liability in other comprehensive income would create or increase an accounting mismatch in profit or loss.
- If a debt investment security has low credit risk on 1 January 2018, the Bank will decide that the credit risk in the asset has not increased significantly since the initial recognition.

IFRS 15 - REVENUE FROM CONTRACTS WITH CUSTOMERS:

This standard replaces: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

Summary of requirements: The standard contains a unique model that applies to contracts with customers and two approaches to revenue recognition: at a point in time or over time. The model features a five-stage transaction analysis agreement to determine when and how revenue is recognised.

IFRS 15 is effective for annual periods beginning on or after 01 January 2018, with early adoption permitted.

Possible Impact on Financial Statements: Given the nature of the Bank's operations, no significant impact on the application of IFRS 15 is expected. However, the Bank continues to assess the potential impact on its financial statements of the application of this standard.

IFRS 16 - LEASES:

This standard replaces: IAS 17 Leases and related interpretations.

Summary of requirements: It establishes principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 presents a lease model that will result in almost all leases being included in the Balance Sheet. No significant changes were included for the lessors.

The standard is effective for annual periods beginning on or after 01 January 2018, with early adoption permitted only if the entity also adopts IFRS 15.

Possible Impact on Financial Statements: Transitional requirements are different for lessees and lessors. The Bank has begun evaluating the potential impact on the financial statements resulting from the application of IFRS 16 and no significant impact is expected on the Bank's financial leases.

The following new standards or changes are not expected to have a material impact on the Bank's financial statements:

Clarification on the accounting of share-based payments (Amendment to IFRS 2);

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS 28).

3. Financial risk management, objectives and policies

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

By way of its activities, the Bank is exposed to a variety of financial risks; such activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

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

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

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

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

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

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

3.1. Credit risk

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

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

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

Maximum exposure to credit risk per class of financial asset

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

The following represents the maximum exposure as of 31 December to credit risk on the statement of financial position and off-balance-sheet financial instruments before taking into account of any collateral held. The Bank holds collateral as security for Loans and advances to customers in the form of mortgage on property and pledged equipment assets.

MZN'000

Credit risk exposure relating to items on balance sheet	2017	2016
Cash and balances with Central Bank	806 636	1 043 993
Deposits with banks	115 484	471 493
Loans and advances to banks	2 359 783	1 029 673
Financial assets held for trading	2 487 818	1 231 806
Financial assets available for sale	2 527 884	3 341 270
Loans and advances to customers	15 281 038	17 146 038
Other assets	42 224	86 722
Total	**23 620 867**	**24 350 995**

Credit risk exposure relating to items on balance sheet		
Guarantees	2 216 539	2 270 400
Letters of credit	845 780	666 100
Total	**3 062 319**	**2 936 500**
Total amount exposure to credit risk	**26 683 186**	**27 287 495**

CREDIT QUALITY:

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

MZN'000

2017	Neither mature nor impaired	Overdue but not impaired	Impaired	Total
Cash and balances with Central Bank	806 636	-	-	806 636
Deposits with banks	115 484	-	-	115 484
Loans and advances to banks	2 359 783	-	-	2 359 783
Financial assets held for trading	2 487 818	-	-	2 487 818
Financial assets available for sale	2 527 884	-	-	2 527 884
Loans and advances to customers	16 505 305	1 723 065	(2 947 332)	15 281 038
Other assets	42 224	-	-	42 224
Total	**24 845 133**	**1 723 065**	**(2 947 332)**	**23 620 867**

2016	Neither mature nor impaired	Overdue but not impaired	Impaired	Total
Cash and balances with Central Bank	1 043 993	-	-	1 043 993
Deposits with banks	471 493	-	-	471 493
Loans and advances to banks	1 029 673	-	-	1 029 673
Financial assets held for trading	1 231 806	-	-	1 231 806
Financial assets available for sale	3 341 270	-	-	3 341 270
Loans and advances to customers	17 624 275	1 501 813	(1 980 050)	17 146 038
Other assets	86 722	-	-	86 722
Total	**24 829 232**	**1 501 813**	**(1 980 050)**	**24 350 995**

MZN'000

2017	Amount	Impairment	Net Exposure
Outstanding credit	10 320 690	406 158	**9 914 531**
Overdue loans	7 907 680	2 541 173	**5 366 507**
Overdue exposure	1 723 065	553 716	**1 169 349**
Exposure with evidence of impairment	6 184 615	1 987 458	**4 197 157**
	18 228 370	**2 947 332**	**15 281 038**

2016	Amount	Impairment	Net Exposure
Outstanding credit	13 938 141	548 753	**13 389 388**
Overdue loans	5 187 947	1 431 297	**3 756 650**
Overdue exposure	1 501 813	1 431 297	**70 516**
Exposure with evidence of impairment	3 686 134	-	**3 686 134**
	19 126 088	**1 980 050**	**17 146 038**

Overdue loans include the total exposure of customers with overdue instalments and all outstanding instalments of loans that already have overdue instalments. At 31 December 2017, the non-performing exposure amounted to MZN 7,908 million (2016: MZN 5,188 million).

Performing and overdue loans per product as of 31 December are as follows:

MZN'000

2017	Loans	Current accounts and bank overdrats	Consumer loans	Mortgages	Others	Total
Outstanding loans without impairment	6 116 952	2 640 072	487 560	720 083	356 022	10 320 690
Impairment	(245 234)	(74 948)	(8 732)	(13 275)	(63 969)	(406 158)
Overdue loans with impairment	6 342 829	925 011	440 399	141 601	57 841	7 907 680
Impairment	(1 630 000)	(534 626)	(307 396)	(22 609)	(46 542)	(2 541 173)
	10 584 547	**2 955 509**	**611 830**	**825 800**	**303 352**	**15 281 038**

MZN'000

2016	Loans	Current accounts and bank overdrats	Consumer loans	Mortgages	Others	Total
Outstanding loans without impairment	9 244 191	3 008 890	719 579	791 448	174 033	13 938 141
Impairment	(285 120)	(77 356)	(7 847)	(5 055)	(173 375)	(548 753)
Overdue loans with impairment	3 476 814	1 093 821	467 078	105 512	44 722	5 187 947
Impairment	(707 709)	(446 359)	(241 275)	(12 814)	(23 140)	(1 431 297)
	11 728 176	**3 578 996**	**937 535**	**879 091**	**22 240**	**17 146 038**

The following breakdown shows overdue loans by default category and related impairment (individual impairment assessment) as of 31 December:

MZN'000

2017	Up to 3 months	From 3 to 6 months	From 6 to 12 months	Above 12 months	Total
Overdue loans	1 041 560	151 076	156 406	6 558 638	7 907 680
Impairment	(711 003)	(23 309)	(61 182)	(1 745 679)	(2 541 173)
Coverage ratio	68%	15%	39%	27%	32%
	330 557	127 767	95 225	4 812 959	5 366 507

MZN'000

2016	Up to 3 months	From 3 to 6 months	From 6 to 12 months	Above 12 months	Total
Overdue loans	1 185 692	79 937	119 100	3 803 219	5 187 947
Impairment	(537 469)	(48 232)	(48 751)	(796 845)	(1 431 297)
Coverage ratio	45%	60%	41%	21%	28%
	648 223	31 705	70 349	3 006 374	3 756 650

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

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

The main types of collateral obtained are as follows:

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

MZN'000

2017		Fair value of credit guarantees				Net guarantees	Net exposure
	Maximum exposure to credit risk	Deposits	Letters of credit / Bank Guarantees	Mortgages	Others		
Deposits with banks	115 484	-	-	-	-	-	115 484
Loans and advances to banks	2 359 783	-	-	-	-	-	2 359 783
Financial assets held for trading	2 487 818	-	-	-	-	-	2 487 818
Financial assets available for sale	2 527 884	-	-	-	-	-	2 527 884
Loans and advances to customers							
Large corporations	7 115 461	111 704	-	2 575 425	2 829 113	5 516 242	1 599 219
Small and medium enterprises	3 752 372	249 123	11 607	2 600 145	118 872	2 979 747	772 625
Individual	2 369 383	214 789	-	787 474	9 799	1 012 063	1 357 320
Other	2 043 822	-	44 164	-	2 246 323	2 290 486	(246 664)
Other assets						-	-
	22 772 007	**575 615**	**55 771**	**5 963 044**	**5 204 108**	**11 798 538**	**10 973 469**

MZN'000

2016		Fair value of credit guarantees				Net guarantees	Net exposure
	Maximum exposure to credit risk	Deposits	Letters of credit / Bank Guarantees	Mortgages	Others		
Deposits with banks	471 493	-	-	-	-	-	471 493
Loans and advances to banks	1 029 673	-	-	-	-	-	1 029 673
Financial assets held for trading	1 231 806	-	-	-	-	-	1 231 806
Financial assets available for sale	3 341 270	-	-	-	-	-	3 341 270
Loans and advantaces to customers							
Large corporations	6 840 169	93 513	-	2 499 150	2 331 340	4 924 003	1 916 166
Small and medium enterprises	5 251 344	197 691	-	2 904 975	286 306	3 388 972	1 862 372
Individual	2 651 896	181 699	-	480 622	7 410	669 731	1 982 165
Other	4 144 921	-	-	351 214	2 731 800	3 083 014	1 061 907
Other assets	86 722	-	-	-	-	-	86 722
	25 049 294	**472 903**	**-**	**6 235 961**	**5 356 856**	**12 065 720**	**12 983 575**

The Bank is considering a 'hair-cut' of 20% of the value of property mortgages and 75% for mortgages of furniture and equipment lien.

Renegotiated financial assets

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

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

Financial assets that are past due but not impaired

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

Financial assets individually assessed as impaired

The Bank regularly assesses whether there is objective evidence that a financial asset or a portfolio of financial assets carried at 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 loss events that occurred after the initial recognition of the asset and prior to the reporting date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

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

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default on interest or principal payments;
- It becoming probable that the borrower will become insolvent or carry out a thorough financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  i. Adverse changes in the payment status of borrowers in the portfolio;

  ii. National or local economic conditions that correlate with defaults on the assets in the portfolio;

  iii. Deterioration in the value of collateral; and

  iv. Deterioration of the borrower's competitive position..

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

- The Bank considers that the borrower is unlikely to fulfil its credit obligation in full, without recourse by the Bank to actions such as exercising the option on any security held;
- If the borrower breaches any of the terms of the loan agreement, which might include failure to achieve certain financial performance loan covenants.

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

All exposures flagged as being in default are assessed individually for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For loans and advances and held-to-maturity assets, the impairment loss is measured as the difference between the carrying amount and the present value of the future cash flows discounted at the original effective interest rate (EIR) of the asset.

The calculation of the current 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 any differences between loss estimates and actual loss experience.

WRITE-OFFS

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

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

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

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

MZN'000

2017	Initial book value	Individual impairment	Collective impairment	Net book value revised
Retail	3 245 940	263 252	113 242	2 869 446
Civil construction	1 100 895	197 192	46 790	856 913
Energy	31 110	550	3	30 557
Tourism and Hospitality	628 886	8 599	20 411	599 876
Manufacturing	1 757 454	405 386	9 693	1 342 375
Individual	2 931 290	13 113	545 310	2 372 867
Services	5 467 135	829 111	76 847	4 561 177
Transport and communication	2 849 968	331 977	52 109	2 465 881
Agriculture and fishing	87 871	21 025	4 429	62 417
Other	127 821	2 353	5 940	119 529
	18 228 370	**2 072 558**	**874 774**	**15 281 038**

MZN'000

2016	Initial book value	Individual impairment	Collective impairment	Net book value revised
Retail	4 830 692	416 960	92 626	4 321 106
Civil construction	4 568 851	60 752	44 177	4 463 922
Energy	1 290 087	9 118	-	1 280 969
Tourism and Hospitality	506 295	15 303	11 831	479 160
Manufacturing	468 393	281 100	11 806	175 487
Individual	1 812 045	106 894	397 803	1 307 347
Services	3 262 012	337 478	43 797	2 880 740
Transport and communication	2 263 937	114 171	22 547	2 127 219
Agriculture and fishing	95 141	1 228	10 406	83 508
Other	28 635	609	1 444	26 581
	19 126 088	**1 343 613**	**636 437**	**17 146 038**

CREDIT RISK CONCENTRATIONS

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

Analysis of credit risk concentrations by industry:

MZN'000

2017	Cash and balances with Central Bank	Deposits with banks	Loans and advances to banks	Financial assets held for trading	Financial assets available for sale	Loans and advances to customers	Other assets	Total
Government	-	-	-	2 219 262	1 450 164	-	-	3 669 426
Insurance	-	-	-	23 262	-	-	-	23 262
Financial	68 956	115 484	2 359 783	87 442	1 077 720	-	-	3 709 386
Retail	-	-	-	-	-	2 721 161	-	2 721 161
Civil construction	-	-	-	-	-	922 911	-	922 911
Energy	-	-	-	-	-	26 080	-	26 080
Tourism and Hospitality	-	-	-	-	-	527 213	-	527 213
Manufacturing	-	-	-	-	-	1 473 322	-	1 473 322
Individual	-	-	-	-	-	2 457 381	-	2 457 381
Services	-	-	-	-	-	4 583 250	-	4 583 250
Transport and communication	-	-	-	-	-	2 389 206	-	2 389 206
Agriculture and fishing	-	-	-	-	-	73 665	-	73 665
Other	737 680	-	-	157 852	-	106 849	42 224	1 044 604
	806 636	**115 484**	**2 359 783**	**2 487 818**	**2 527 884**	**15 281 038**	**42 224**	**23 620 868**

MZN'000

2016	Cash and balances with Central Bank	Deposits with banks	Loans and advances to banks	Financial assets held for trading	Financial assets available for sale	Loans and advances to customers	Other assets	Total
Government	-	-	-	1 052 875	2 981 838	-	-	4 034 713
Insurance	-	-	-	23 263	-	-	-	23 263
Financial	611 779	471 493	1 029 673	29 836	359 432	-	-	2 502 213
Oil and Natural Gas	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	4 321 105	-	4 321 105
Civil construction	-	-	-	-	-	4 463 921	-	4 463 921
Energy	-	-	-	-	-	1 280 968	-	1 280 968
Tourism and Hospitality	-	-	-	-	-	479 161	-	479 161
Manufacturing	-	-	-	-	-	175 487	-	175 487
Individual	-	-	-	-	-	1 307 348	-	1 307 348
Services	-	-	-	-	-	2 880 737	-	2 880 737
Transport and communication	-	-	-	-	-	2 127 219	-	2 127 219
Agriculture and fishing	-	-	-	-	-	83 507	-	83 507
Other	432 214	-	-	125 832	-	26 585	86 722	671 353
	1 043 993	**471 493**	**1 029 673**	**1 231 806**	**3 341 270**	**17 146 038**	**86 722**	**24 350 995**

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3.2. Liquidity risk

The Assets and Liabilities Management Committee (ALCO) is the body delegated by the Executive Committee (EC) for implementing financial policy at the Bank, responsible for the ALM (Asset-Liability Management) process, ensuring the implementation of actions within the framework of standards and procedures aimed at effectively managing market risks (exchange rate, interest rate, repricing) and liquidity. It helps formulate pricing policy through timely assessment of national and international macroeconomic developments.

More specifically, the Bank's liquidity management process is carried out internally and monitored by a team from the Markets and International Department and includes:

- Managing daily cash flow in both local and foreign currency by monitoring future cash flows to ensure compliance with obligations to the Central Bank of Mozambique and to the corresponding local and foreign banks. The replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in local and regional money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing the balance sheet, the financing and investment needs of its cash surpluses, from a strategic point of view in the medium and long term;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting to measure cash flow and projections for all key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

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

UNDISCOUNTED CONTRACTUAL MATURITIES OF LIABILITIES

The table below summarizes the financial liabilities at 31 December based on undiscounted contractual cash flows.

MZN'000

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Deposits from banks	3 748	11 732	-	-	-	15 480
Deposits from customers	7 226 500	4 283 451	6 424 001	26 155	-	17 960 107
Consigned liabilities	-	236	2 746	205 268	-	208 250
Debt securities issued	-	-	-	869 519	-	869 519
Other liabilities	415 913	-	-	-	-	415 913
Total undiscounted liabilities	**7 646 160**	**4 295 419**	**6 426 747**	**1 100 942**	-	**19 469 269**

MZN'000

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Deposits from banks	32 717	-	12 067 220	-	-	12 099 936
Deposits from customers	8 136 972	3 473 531	4 437 455	8 924	1 428	16 058 310
Financial liabilities Trading other financial liabilities at fair value	-	113 764	121 040	-	-	234 804
Consigned liabilities	-	-	-	434 553	5 100	439 652
Debt securities issued	-	-	271 500	923 838	-	1 195 338
Other liabilities	403 741	-	-	-	-	403 741
Total undiscounted liabilities	**8 573 430**	**3 587 295**	**16 897 215**	**1 367 315**	**6 528**	**30 431 781**

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

3.3. Market risk

Market risk can be defined as the potential loss arising from changes in the fair value of future cash flows of financial instruments due to fluctuations in the market variables of the underlying asset or external factors that influence market prices. Examples of such risk factors include risks related to changes in the exchange rate, interest rates, equity prices, and commodities.

3.3.1 Interest rate risk

Interest rate risk is associated with changes in the market value of a given asset as a result of changes in market interest rates, resulting in the possibility of changes in future cash flows or the fair value of financial instruments. The Bank monitors its exposure to the effects of fluctuating market interest rates on the risk of its financial position and cash flows. Financial margins may increase as a result of such fluctuations, but may also decrease or create losses in the event of unforeseen transactions.

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

The management of interest rate policy and strategy is decided by the ALCO Committee, implemented by the Markets and International Department and controlled by the Risk Management Department.

MZN'000

2017	Less than 3 months	3 to 12 months	> 1 Year	Non-interest bearing	Total
Financial assets					
Cash and balances with Central Bank	-	-	-	806 636	806 636
Deposits with banks	-	-	-	115 484	115 484
Loans and advances to banks	1 954 081	405 702	-	-	2 359 783
Financial assets held for trading	393 575	1 881 981	212 262	-	2 487 818
Financial assets available for sale	-	33 782	2 494 102	-	2 527 884
Loans and advances for customers	2 520 503	1 247 395	11 513 140	-	15 281 038
Other assets	-	-	-	833 563	833 563
Total undiscounted assets	**4 868 159**	**3 568 860**	**14 219 504**	**1 755 683**	**24 412 206**

MZN'000

Financial liabilities	Less than 3 months	3 to 12 months	> 1 Year	Non-interest bearing	Total
Deposits from banks	15 480	-	-	-	15 480
Deposits from customers	4 283 451	6 424 001	26 155	7 226 500	17 960 108
Consigned liabilities	236	2 746	205 268	-	208 250
Debt securities issued	-	-	869 519	-	869 519
Other liabilities	-	-	-	415 913	415 913
Total undiscounted liabilities	**4 299 168**	**6 426 747**	**1 100 942**	**7 642 413**	**19 469 269**
Interest rate sensitivity on balance sheet	**568 992**	**(2 857 887)**	**13 118 561**	**(5 886 729)**	**4 942 937**

MZN'000

2016	Less than 3 months	3 to 12 months	> 1 Year	Non-interest bearing	Total
Financial assets					
Cash and balances with Central Bank	1 043 993	-	-	-	1 043 993
Deposits with banks	-	-	-	471 493	471 493
Loans and advances to banks	954 755	74 918	-	-	1 029 673
Financial assets held for trading	-	841 526	367 017	23 262	1 231 806
Financial assets available for sale	-	345 761	2 995 509	-	3 341 270
Loans and advances for customers	3 201 810	1 283 296	11 666 341	994 592	17 146 038
Other assets	-	-	-	669 596	669 596
Total undiscounted assets	**5 200 558**	**2 545 501**	**15 028 867**	**2 158 943**	**24 933 868**

MZN'000

Financial liabilities	Less than 3 months	3 to 12 months	> 1 Year	Non-interest bearing	Total
Deposits from banks	12 099 936	-	-	-	12 099 936
Deposits from customers	3 473 532	4 437 454	10 352	8 136 972	16 058 310
Financial trading liabilities at fair value through profit or loss	113 764	121 040	-	-	234 804
Consigned liabilities	-	-	439 653	-	439 653
Debt securities issued	-	271 500	923 838	-	1 195 338
Other liabilities	-	-	-	403 741	403 741
Total undiscounted liabilities	**15 687 232**	**4 829 994**	**1 373 843**	**8 540 713**	**30 431 782**
	(10 486 674)	**(2 284 493)**	**13 655 024**	**(6 381 770)**	**(5 497 914)**

The sensitivity in the income statement and the impact on interest rate changes, based on the Central Bank of Mozambique's Monetary Policy rates, is based on financial assets and liabilities whose interest rate is variable. At 31 December it is as follows:

MZN'000

	Increase (decrease in base points)	Impact of profit / loss (after tax)
2017	+200 pb	16 987
	-200 pb	(16 987)
2016	+150 pb	11 898
	-150 pb	(11 898)

3.3.2 Exchange rate risk

Exchange rate risk is associated with exchange rate fluctuations as well as volatility. The Central Bank of Mozambique sets a daily limit of exposure for currency (10%) and aggregate limits (20%) that have been adopted by the Board of Directors. In accordance with Bank policy, exchange positions are monitored on a daily basis to ensure that they are kept within the established limits.

Management of exchange rate risk policy and strategy is decided by the ALCO Committee, and implemented by the Market and International Department under the supervision and control of the Risk Management Department.

The following table summarizes the exposure to exchange rate risk at 31 December:

MZN'000

2017	MZN	USD	ZAR	EUR	Other	Total
Financial assets						
Cash and balances with Central Bank	424 625	44 020	318 547	19 424	20	806 636
Deposits with banks	22 131	5 117	647	76 050	11 539	115 484
Loans and advancds to banks	1 703 000	603 247	27 782	-	25 754	2 359 783
Financial assets held for trading	2 487 818	-	-	-	-	2 487 818
Financial assets available for sale	1 836 735	691 149	-	-	-	2 527 884
Loans and advances to customers	13 308 526	1 972 509	4	-	-	15 281 038
Other assets	833 563	-	-	-	-	833 563
	20 616 397	**3 316 042**	**346 980**	**95 474**	**37 313**	**24 412 206**

MZN'000

Financial liabilities						
Deposits from banks	15 480	-	-	-	-	15 480
Deposits from customers	15 221 629	2 574 029	74 288	64 999	25 162	17 960 107
Consigned liabilities	208 250	-	-	-	-	208 250
Debt securities issued	869 519	-	-	-	-	869 519
Other liabilities	415 913	-	-	-	-	415 913
	16 730 792	**2 574 029**	**74 288**	**64 999**	**25 162**	**19 469 269**
Net exposure	**3 885 605**	**742 013**	**272 692**	**30 475**	**12 151**	**4 942 937**

MZN'000

2016	MZN	USD	ZAR	EUR	Other	Total
Financial assets						
Cash and balances with Central Bank	800 627	136 642	48 329	57 803	592	1 043 993
Deposits with banks	32 182	202 485	108 850	73 089	54 888	471 494
Loans and advances to banks	-	1 029 639	23	11	-	1 029 673
Financial assets held for trading	1 231 806	-	-	-	-	1 231 806
Financial assets available for sale	2 437 892	903 378	-	-	-	3 341 270
Loans and advances to customers	14 049 523	3 096 498	18	-	-	17 146 038
Other assets	773 216	-	-	-	-	773 216
	19 325 246	**5 368 641**	**157 220**	**130 903**	**55 480**	**25 037 490**

MZN'000

Financial liabilities						
Deposits from banks	12 097 062	2 874	-	-	-	12 099 936
Deposits from customers	12 755 481	3 149 330	33 827	80 162	39 511	16 058 310
Financial trading liabilities at fair value through profit or loss	234 804	-	-	-	-	234 804
Consigned liabilities	298 059	141 594	-	-	-	439 653
Debt securities issued	1 195 338	-	-	-	-	1 195 338
Other liabilities	**403 741**	-	-	-	-	**403 741**
	26 984 485	**3 293 797**	**33 827**	**80 162**	**39 511**	**30 431 782**
Net exposure	**(7 659 239)**	**2 074 844**	**123 393**	**50 741**	**15 969**	**(5 394 292)**

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

MZN'000

	Impact of change in USD rate	Impact on pre-tax profit	Impact on equity
2017	5,0%	37 101	37 101
	-5,0%	(37 101)	(37 101)
2016	+5%	103 742	103 742
	-5,0%	(103 472)	(103 742)

The individual effects per currency on the results, as well as on equity, are decided independently, which means that there is no economic compensation between them.

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

	2017	2016
US Dollar	59,02	71,35
Euro	70,70	75,16
Rand	4,79	5,20

3.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including the legal risk associated with the inadequacy or deficiency in contracts signed by the institution, as well as penalties for non-compliance with legal provisions and damages for third parties resulting from the activities undertaken by the Bank. Operational risk excludes business, strategic and reputational risks.

The Bank strives to eliminate all operational risks. However, through a control and surveillance framework and by responding to potential risks, the Bank is able to manage risks. Operational risk can be divided into high frequency/low severity that can occur frequently but in which each event exposes the Bank to low levels of losses, and low frequency/high severity which are usually rare events but as a result of which losses in the organization can be huge.

The Bank is making efforts to mitigate these risks through a strong governance structure and internal controls, including proper segregation of functions, access, authorisation and reconciliation processes, staff training and evaluation processes.

The Board of Directors is responsible for the introduction, maintenance and operation of effective processes and procedures, which are documented in several manuals, reviewed periodically, taking into account the need to adapt to reality. The Audit and Compliance Department reviews the effectiveness of the internal controls and procedures, recommending improvements to the Board of Directors.

3.5. Capital and solvency risk management

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

The main objectives of capital management are those that ensure the Bank:

- Complies with the capital requirements imposed by the Central Bank of Mozambique;

- Keeps a strong and healthy rating of capital ratios in order to support its business; and
- Presents a policy of continuity, in order to provide maximum return, and maximize shareholder value.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's Board of Directors, applying techniques based on legislation issued by the Central Bank of Mozambique on supervision. The required information is presented monthly to the Central Bank of Mozambique. The Central Bank requires each bank to meet a minimum of risk weighting (capital adequacy ratio) above or at the 9% limit in the first year after the entry into force of new Regulation No. 9/GBM/2017.

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

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

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

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

MZN'000

		2017	2016
Basic Equity (*Tier* I Capital)			
	Share capital	13 841 250	2 129 200
	Eligible reserves and retained earnings	(4 952 321)	315 877
	Intangible assets	(298 146)	(423 455)
	Credit impairment according to the BdM notice(*)	(3 513 474)	(1 495 893)
	Provisional negative results for the year in progress at the end of the month	(1 458 836)	(5 268 198)
	Basic Equity (*Tier* I Capital)	**3 618 473**	**(4 742 469)**
Complementary equity			
	Eligible subordinated debt	723 999	2 705
	Other	1 977	-
	Complementary equity	**725 976**	**2 705**
	Other items to be deducted	(90 804)	(19 432 643)
Basic complementary equity		**4 253 645**	**(24 172 407)**
Risk weighted assets			
	On the balance sheet	14 411 230	20 109 283
	Off balance sheet	1 407 154	1 528 243
	Operational and market risk	2 311 953	2 808 306
	Total risk weighted assets	**18 130 337**	**24 445 833**
Prudencial ratios			
	CORE *TIER* 1 CAPITAL	40,98%	-19,40%
	TIER 1 CAPITAL	19,96%	0,01%
	OVERALL RATIO	23,46%	-98,88%
	Solvency ratio required	8,00%	8,00%

(*) represents the difference between the impairment provisions calculated based on the BdM notice and internal model

4. Net interest income

Net interest income breaks down as follows:

MZN'000

	2017	2016
Interest and similar income		
Interest on loans and advances to customers	3 127 926	3 167 777
Interest from loans and advances with banks	171 802	10 297
Interest from available for sale financial assets	702 998	501 260
	4 002 726	3 679 334
Interest expense and similar charges		
Interest on amounts due to customers	1 804 128	1 810 496
Interest on consigned liabilities	57 389	48 567
Interest on debt securities	39 750	82 082
Interest on subordinated debt securities	132 808	123 795
Interest on deposits from Central Banks and other banks	700	668 582
	2 034 775	2 733 522
	1 967 951	**945 812**

5. Net fee and commission income

This item breaks down as follows:

MZN'000

	2017	2016
Fee and commission icome		
For guarantees provided	82 020	121 592
For banking services provided by third parties	181 580	205 886
Other fee and commission income	149 267	166 662
	412 867	**494 140**
Fee and commission expenses		
For guarantees received	1 615	9 496
For banking services provided by third parties	13 538	15 420
VISA and Mastercard	69 804	75 308
Other fee and commission expenses	3 548	7 782
	88 505	108 006
	324 362	**386 134**

6. Net financial operations

Net financial operations break down as follows:

MZN'000

	2017	2016
Gains on financial operations		
Foreign exchange gains	8 859 696	154 897 126
Other gains on financial operations	100 103	159 859
	8 959 799	**155 056 985**
Losses on financial operations		
Foreign exchange losses	8 784 782	155 868 870
Other losses on financial operations	-	(4 248)
	8 784 782	155 864 622
Net financial operations	**175 017**	**(807 637)**

7. Staff costs

Staff costs break down as follows:

MZN'000

	2017	2016
Salaries and wages	912 271	975 392
Social Security (4%)	30 762	29 631
	943 033	**1 005 023**

EMPLOYEES

At 31 December, the number of employees at the Bank was as follows:

	2017	2016
Central Services	391	389
Commercial Area	341	342
Total Employees	**732**	**731**

8. Other operating expenses and income

This item breaks down as follows:

MZN'000

	2017	2016
Communications	124 406	142 396
Professional fees	391 208	457 982
Consumables	28 749	40 103
Maintenance and related services	289 213	292 345
Marketing expenses	3 276	55 495
Property rentals	349 772	395 213
Water, energy and fuel	43 581	39 501
Travelling and representation expenses	17 027	31 553
Training expenses	764	3 372
Cost with write-off of fixed assets	4 485	406 755
Reversal of income from previous years	27 851	354 144
Donation and quotes	8 324	12 262
Others	214 300	228 341
Other operating expenses	**1 502 955**	**2 459 462**
Gains on propety, plant and equipment disposal	2 072	2 879
Other - a)	410 174	59 465
Other operational income	**412 246**	**62 344**

The increase in Other operating income was due to the reversal in 2017 of interest accrued to the amount of 341,210 thousand Meticais with regard to the Central Bank of Mozambique's Liquidity Support Line.

9. Provisions

Provisions break down as follows:

MZN'000

	2017	2016
Provisions		
Provisions for legal preceedings	1 358	677
MITADER case	25 000	-
Provisions for Visa and Mastercard	65 000	-
	91 358	**677**

10. Income taxes

Income taxes break down as follows:

MZN'000

	2017	2016
Current tax	-	-
Deferred tax	1 520	172 437
	1 520	**172 437**

The reconciliation of the effective tax rate for the year ended 31 December is as follows:

MZN'000

	2017		2016	
	Tax rate	Amount	Tax rate	Amount
Losses before tax		(1 457 316)		(5 440 634)
Income tax using domestic tax rate (32%)	32,00%	(466 341)	32%	(1 741 003)
Tax benefit (16%)	16,00%	233 171	16%	870 501
Tax corrections				
Non-deductible expenses	-5,75%	83 833	-3,53%	191 986
Non-taxable income	11,37%	(165 661)	1,47%	(79 785)
Tax loss	**21,61%**	**(314 998)**	**13,94%**	**(758 301)**

The movements in deferred taxes are as follows:

MZN'000

		Income statement		Equity		
	01.01.2017	Expenses	Income	Increase	Decrease	31.12.2017
Deferred tax assets						
Financial assets available for sale	-	-		53 324	(9 094)	44 230
Tax losses	150 000	-		-	-	150 000
	150 000	**-**	**-**	**53 324**	**(9 094)**	**194 230**
Deferred tax assets						
Foreign exchange differences	-	-		-	-	-
Tangible assets	(16 413)	(1 520)		-	9 094	(8 839)
Derivatives	-	-		-	-	-
	(16 413)	**(1 520)**	**-**	**-**	**9 094**	**(8 839)**
		(1 520)			**53 324**	

MZN'000

		Income statement		Equity		
	01.01.2016	Expenses	Income	Increase	Decrease	31.12.2016
Deferred tax assets						
Financial assets available for sale	841	-	-	-	(841)	-
Tax losses	98 153	-	51 847	-	-	150 000
	98 994	**-**	**51 847**	**-**	**(841)**	**150 000**
Deferred tax assets						
Foreign exchange differences						
Diferenças cambiais	(51 946)	-	51 946	-	-	-
Tangible assets	(15 816)	8 497	-	-	(9 094)	(16 413)
Derivatives	(60 146)	-	60 146	-	-	-
	(127 908)	**8 497**	**112 092**	**-**	**(9 094)**	**(16 413)**
		172 437			**(9 935)**	

11. Earnings per share

Basic and diluted earnings per share

The basic and diluted earnings per share are calculated based on profit attributable to ordinary shareholders for the amount of 1,458,836 thousand MZN (2016: Loss: 5,268,198 thousand MZN) and the weighted average number of ordinary shares issued in the period ended 31 December 2017, totalling 260,379 (2016: 85,168), is calculated as follows:

MZN'000

	2017	2016
Loss attributable to ordinary shareholders	(1 458 836)	(5 268 198)
Weighted average number of ordinary shares	260 379	85 168
Earnings per share		
Basic	(5,60)	(61,86)
Diluted	(5,60)	(61,86)

RECONCILIATION OF THE AVERAGE NUMBER OF ORDINARY SHARES

	Number of shares	Average number
01 January 2017	85 168	85 168
16 June 2017	326 810	163 405
06 December 2017	141 672	11 806
Total	**553 650**	**260 379**

12. Cash and deposits with the Central Bank

Cash and deposits with the Central Bank break down as follows:

MZN'000

	2017	2016
Cash	737 680	432 214
Central Bank	68 956	611 779
	806 636	**1 043 993**

13. Deposits with banks

Deposits with banks break down as follows:

MZN'000

	2017	2016
Local banks	21 523	148 013
Foreign banks	93 961	323 480
	115 484	471 493

14. Loans and advances to banks

Loans and advances to banks break down as follows:

MZN'000

	2017	2016
Deposits with Central Bank of Mozambique	203 000	-
Deposits with other banks	2 156 783	1 029 673
	2 359 783	1 029 673

15. Financial assets held for trading

This item breaks down as follows:

MZN'000

	2017	2016
Bonds and other fixed income securities - 15.1	2 408 262	1 208 544
Shares and other variable-yield securities- 15.2	23 263	23 262
Financial derivaties - 15.3	56 293	-
	2 487 818	1 231 806

15.1 Financial assets held for trading

This item breaks down as follows:

MZN'000

	2017	2016
Bonds and other fixed income securities		
Treasury Bills	**2 219 262**	**1 052 846**
Corporate bonds		
Companhia de Moçambique 2013 - 1º emissão	-	23 730
Moza Banco 2014 - 1st issue	-	31 907
Cooperativa de Poupança e Crédito 2014 - 1st issue	36 742	35 834
Visabeira 2015-2018	152 258	64 227
	2 408 262	1 208 544

COOPERATIVA DE POUPANÇA E CREDITO 2014 - 1ST ISSUE

This Corporate Bond has a five-year maturity and was issued on 29 October 2014, with a nominal value of MZN 100 per bond. With a total nominal amount of MZN 100,000,000, interest will be paid on a semi-annual basis at a fixed rate of 13% per annum for the first 6 coupon payments (3 years) and indexed to 'Facilidade Permanente de Cedência' (FPC) plus a 4.75 basis point spread for the last 4 coupon payments (2 years). Principal will be reimbursed fully on last coupon date unless the issuer decides to exercise the early redemption option, which allows full or partial early redemption starting on 4th coupon payment date.

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VISABEIRA 2015 - 2018

This Corporate Bond has a three-year maturity and was issued by Visabeira on 23 March 2015, with a nominal value of MZN 100 per bond. With a total nominal amount of MZN 250,000,000, interest will be paid on a semi-annual basis at a fixed rate of 13% per annum for the first 6 coupon payments (3 years) and floating indexed to 'Facilidade Permanente de Cedência' (FPC) plus a 4.25 basis point spread for the last 4 coupon payments (2 years).

15.2 Shares and other variable-yield securities

EMOSE

These 1,163,130 common equity shares represent 7.4% of the total of 15,700,000 new shares issued by EMOSE (Empresa Moçambicana de Seguros) in a successful public offer in October 2013. Each share has a nominal amount of MZN 1 and has the same voting rights as the remaining share capital.

15.3 Derivatives

The Bank uses swaps and foreign exchange forwards to manage the liquidity situation either in foreign currency or in Meticais, and for coverage of risk in exchange and interest rate variation. These instruments are traded for both trading and hedging activities and result in an economic exchange of currencies, prices and interest rates. In the case of Exchange Swaps there is always an exchange of notional values. The Bank's credit risk exposure represents the potential cost, at market prices, of replacing the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Bank assesses counterparties using the same technique as for its lending activities.

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

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms.

As of 31 December, the breakdown of the trading assets by maturity were as follows:

MZN'000

	2017	2016
Up to 3 months	393 575	841 526
From 3 months to 1 year	1 881 980	269 028
From 1 to 5 years	189 000	97 990
More than 5 years	23 263	23 262
	2 487 818	1 231 806

The breakdown of the derivative financial instruments is as follows:

MZN'000

Derivatives	2017	2016
FX *swaps*	56 293	-
	56 293	

As of 31 December, the breakdown of the trading assets by quoted and unquoted status is as follows:

MZN'000

	2017			2016		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Treasury Bills	-	2 219 262	2 219 262	-	1 052 876	1 052 876
Corporate bonds	189 000	-	189 000	155 698	-	155 698
Shares and other variable-yield securities - 15.2	23 263	-	23 263	23 263	-	23 263
FX *Swaps*	-	56 293	56 293	-	-	-
	212 262	2 275 556	2 487 818	178 960	1 052 876	1 231 836

The movements in held-for-trading financial assets at year ended 31 December were as follows:

MZN'000

	2017	2016
Initial balance	1 231 806	1 667 475
Acquisitions	2 308 858	2 519 528
Disposals/reimbursements	(1 052 846)	(2 955 197)
Closing balance	2 487 818	1 231 806

16. Available-for sale financial assets

This item breaks down as follows:

MZN'000

	2017	2016
Bonds and other fixed income securities		
Treasury bonds		
Treasury Bond 2013-3rd issue	-	52 298
Treasury Bond 2014-1st issue	-	56 952
Treasury Bond 2014-2nd issue	-	74 028
Treasury Bond 2014-6th issue	-	51 895
Treasury Bond 2014-7th issue	-	51 237
Treasury Bond 2015-2nd issue	14 468	16 117
Treasury Bond 2015-3rd issue	19 314	21 577
Treasury Bond 2015-6th issue	577 768	801 345
Treasury Bond 2016-1st issue	273 684	335 702
Treasury Bond 2016-2nd issue	101 292	129 243
Reimbursement Bonds	575 086	847 489
	1 561 612	2 437 883
Corporate Bonds		
Afrasia Bank Ltd 2014-2020	295 100	356 750
MozBonds 2016-2023	779 938	860 090
	1 075 038	1 216 840
MozBond Impairments	(111 448)	(316 135)
	963 591	900 705
Shares and		
Sociedade Interbancária Moçambicana	2 682	2 682
	2 682	2 682
Total	2 527 884	3 341 270

TREASURY BONDS

Treasury Bonds 2013 - 3rd Issue

This Treasury Bond has a four-year maturity and was issued on 19 September 2013 with a nominal value of MZN100 for each bond. Coupons are paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds 2014 - 1st Issue

This Treasury Bond has a five-year maturity and was issued on 21 November 2014 with a nominal value of MZN100 for each bond. Coupons are paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2014) - 2nd Issue

This Treasury Bond has a five-year maturity and was issued on 21 November 2014 with a nominal value of MZN100 for each bond. Coupons are paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2014) - 6th Issue

This Treasury Bond has a five-year maturity and was issued on 5 November 2014 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2014) - 7th Issue

This Treasury Bond has a five-year maturity and was issued on 19 November 2014 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 9.875% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2015) - 2nd Issue

This Treasury Bond has a five-year maturity and was issued on 28 August 2015 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 10,00% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds 2015 - 3rd Issue

This Treasury Bond has a five-year maturity and was issued on 01 September 2015 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 10,00% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2015) - 6th Issue

This Treasury Bond has a five-year maturity and was issued on 16 December 2015 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 10,00% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds 2016 - 1st Issue

This Treasury Bond has a three-year maturity and was issued on 23 March 2016 with nominal value of MZN106.22 each bond. Coupons are paid every six months at a fixed rate of 11.00% per annum, a rate that was established based on a competitive auction among market participants. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Treasury Bonds (OT/2016) - 2nd Issue

This Treasury Bond has a four-year maturity and was issued on 11 May 2016 with nominal value of MZN92.85 each bond. Coupons are paid every six months at a fixed rate of 12.75% per annum, a rate that was established based on a market conditions on the issue date. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer.

Reimbursement bonds

This Treasury Bond has a five-year maturity and was issued on 21 April 2015 with nominal value of MZN100 each bond. Coupons are paid every six months at a fixed rate of 7.375% per annum. Principal is fully reimbursed at the maturity date unless the call option is exercised by the issuer. Each reimbursement will be made by reducing the nominal value of the securities.

CORPORATE BONDS

Afrasia Bank Ltd. Subordinated loan 2014 - 2020

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

Moz Bonds 2016 - 2023

This Corporate Bond has a seven year maturity and was issued on 06 April 2016 with a nominal amount of USD 1,000 per bond, despite periodic amortisation of principal starting on November 2015 which generated a shorter weighted average maturity. Semi-annual coupons are paid based on a fixed rate equal to 4.335%. Full responsibilities under this bond issue are covered by a sovereign guarantee issued by the Republic of Mozambique Ministry of Finance.

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SHARES AND OTHER VARIABLE-YIELD SECURITIES

Sociedade Interbancária Moçambicana (SIMO)

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

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

MZN'000

	2017	2016
Up to 3 months	-	61 496
From 3 months to 1 year	33 782	284 233
From 1 year to 5 years	1 822 930	2 510 400
More than 5 years	671 172	485 141
	2 527 884	**3 341 270**

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

MZN'000

	2017			2016		
	Cotados	Não cotados	Total	Cotados	Não cotados	Total
Bonds and other fixed income securities						
Treasury Bonds	1 561 612	-	**1 561 612**	2 437 883	-	**2 437 883**
Corporate bonds	668 490	295 100	**963 590**	543 955	356 750	**900 705**
Shares and other variable-yield securities	-	2 682	**2 682**	-	2 682	**2 682**
	2 230 102	297 782	**2 527 884**	2 981 838	359 432	**3 341 270**

Movements in financial assets available for sale during the year ended 31 December were as follows:

MZN'000

	2017	2016
Initial balance	3 341 270	2 513 524
Acquisitions	-	4 203 930
Accrued interest	164 401	110 710
Disposals/reimbursements	(290 574)	(2 880 754)
Unrealised forex gains	(353 936)	(667 985)
Gains in fair value	(333 277)	61 845
Closing balance	**2 527 884**	**3 341 270**

17. Loans and advances to customers

Loans and advances to customers break down as follows:

MZN'000

	2017	2016
Corporate	14 788 994	15 665 842
Individual	2 833 561	3 221 250
	17 622 555	18 887 092
Interest accrual and commissions	605 815	238 996
	18 228 370	**19 126 088**
Credit impairment	(2 947 332)	(1 980 050)
	15 281 038	**17 146 038**

The breakdown of performing and overdue loans (excluding specialised interest) is as follows:

MZN'000

	2017	2016
Outstanding Loans	10 320 690	17 624 275
Currebt Account Loans		
Within 90 Days	1 945 712	625 437
After 90 Days	5 961 968	876 376
	7 907 680	1 501 813
	18 228 370	**19 126 088**

The breakdown of loans and advances by product is as follows::

MZN'000

	2017	2016
Loans	13 974 607	12 118 468
Current Account Loans	2 561 968	2 749 437
bank Overdrafts	1 125 446	1 353 273
Other	566 349	2 904 910
	18 228 370	19 126 088
Credit impairment	(2 947 332)	(1 980 050)
	15 281 038	**17 146 038**

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

MZN'000

	2017	2016
Local Currency	15 442 822	16 069 810
Foreign Currency	2 785 548	3 056 278
	18 228 370	**19 126 088**

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

MZN'000

	2017		2016	
	%	Valor	%	Valor
Retail	17,8%	3 246 006	25,3%	4 830 692
Civil Construction	6,0%	1 100 917	23,9%	4 568 851
Energy	0,2%	31 110	6,7%	1 290 087
Tourism and hospitality	3,5%	628 899	2,6%	506 295
Manufacturing	9,6%	1 757 489	2,4%	468 393
Private	16,1%	2 931 349	9,5%	1 812 045
Services	30%	5 467 245	17,1%	3 262 012
Transport and Communication	15,6%	2 850 025	11,8%	2 263 937
Agriculture and fishing	0,5%	87 873	0,5%	95 141
Other	0,7%	127 457	0,1%	28 635
	100%	**18 228 370**	**100%**	**19 126 088**

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

MZN'000

	2017	2016
Up to 3 months	3 344 589	3 639 086
From 3 months to 1 year	1 364 553	1 342 922
From 1 year to 5 years	9 292 112	8 122 554
More than 5 years	4 227 116	6 021 526
	18 228 370	**19 126 088**

The breakdown of movements in impairment losses is as follows:

MZN'000

			2017
	Individual	Collective	Total
Opening balance	1 343 614	636 436	**1 980 050**
Impairment change for the year	1 403 552	374 786	**1 778 338**
Reversal for the year	(84 946)	(96 213)	**(181 159)**
Use / regularization	(541 515)	(88 382)	**(629 897)**
Closing balance	**2 120 705**	**826 627**	**2 947 332**

MZN'000

			2016
	Individual	Collective	Total
Opening balance	377 446	137 156	**514 602**
Impairment change for the year	1 088 096	468 879	**1 556 975**
Reversal for the year	(43 042)	(48 485)	**(91 527)**
Closing balance	**1 422 500**	**557 550**	**1 980 050**

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18. Other assets

The other assets account breaks down as follows:

MZN'000

	2017	2016
Other receipts	674 663	692 915
Accruals and deferrals	42 224	67 455
Inventories	9 313	12 390
Cleaning accounts	203 045	214 996
Other	118 856	-
Impairment of other assets	(214 539)	(214 539)
	833 562	773 217

19. Non-current assets held for sale

The movement of non-current assets held for sale was as follows:

MZN'000

	2017	2016
Initial balance	566 278	295 951
Increases	42 580	305 921
Decreases	(36 944)	(35 594)
Impairment	(162 527)	(149 210)
Closing balance	409 388	417 067

The balance of this item is the value of the properties that have come into the Bank's possession as a result of the enforcement of collateral over overdue loans. These properties had been mortgaged in favour of the Bank to guarantee loans to customers. The Bank intends to dispose of the properties in the shortest possible time. As of 31 December 2017, the Bank held properties valued at 571,915 thousand Meticais and recorded an accumulated impairment of 162,527 thousand Meticais (2016: MZN 566.278 thousand with impairment of MZN 149,067 thousand).

20. Investment Property

The movement of this item is as follows:

MZN'000

At 01 January 2016	**35 594**
Increases	
Transfers	-
At 31 December 2016	**35 594**
Increases	-
Transfers	-
At 31 December 2017	**35 594**
Amortization	
At 01 January 2016	-
Amortisation for the period	356
At 31 December 2016	**356**
Amortisation for the period	1 424
At 31 December 2017	**1 780**
Carrying account	
At 01 January 2016	**35 594**
At 31 December 2016	**35 238**
At 31 December 2017	**33 814**

21. Tangible assets

The movement in property and equipment is as follows:

MZN'000

	Leased Buildings	Equipment	Ongoing Investment	Other	Total
Cost					
At 01 January 2016	810 917	794 210	321 852	2 088	1 929 067
Increases	76 105	89 914	205 613	-	371 632
Write-offs	(28 723)	(72)	-	-	(28 795)
Transfers	158 682	81 512	(240 194)	-	-
At 31 December 2016	**1 016 981**	**965 564**	**287 271**	**2 088**	**2 271 904**
Increases	4 453	7 128	36 198	-	47 780
Write-offs	(86 428)	(14 366)	(2 483)	-	(103 277)
Transfers	75 288	69 165	(144 453)	-	-
At 31 December 2017	**1 010 294**	**1 027 491**	**176 533**	**2 088**	**2 216 406**

MZN'000

	Leased Buildings	Equipment	Ongoing Investment	Other	Total
Depreciation and impairment					
At 01 January 2016	204 195	312 692	-	2 088	518 975
Depreciation for the year	90 221	154 802	-	-	245 023
Disposals / Adjustments	(9 473)	(29)	-	-	(9 502)
At 31 December 2016	**284 943**	**467 465**	-	**2 088**	**754 496**
Depreciation for the year	96 433	166 186	-	-	262 619
Disposals / Adjustments	(4 685)	(8 463)	-	-	(13 148)
At 31 December 2017	**376 692**	**625 188**	-	**2 088**	**1 003 967**

MZN'000

Carrying amount					
At 01 January 2016	606 722	481 518	321 852	-	1 410 092
At 31 December 2016	732 038	498 099	287 271	-	1 517 408
At 31 December 2017	633 602	402 303	176 533	-	1 212 439

22. Intangible assets

The movement in intangible assets is as follows:

MZN'000

	Software	Ongoing Investment	Total
Cost			
At 01 January 2016	**756 218**	**127 555**	**883 772**
Increases	225 426	163 272	388 698
Write-offs	(363 135)	(126 601)	(489 736)
Transfers	151 761	(151 761)	-
At 31 Deceber 2016	**770 270**	**12 465**	**782 735**
Increases	3 615	5 258	8 873
Write-offs	(12 232)	-	(12 232)
At 31 Deceber 2017	**761 653**	**17 723**	**779 376**

MZN'000

	Software	Ongoing Investment	Total
Amortization and impairment			
At 01 January 2016	**270 844**	**-**	**270 844**
Amortisation for the period	171 416	-	171 416
Write-offs	(82 981)	-	(82 981)
At 31 Deceber 2016	**359 279**	**-**	**359 279**
Amortisation for the period	129 697	-	129 697
Write-offs	(7 747)	-	(7 747)
At 31 Deceber 2017	**481 229**	**-**	**481 229**
Carrying amount			
At 01 January 2016	**485 374**	**127 555**	**612 928**
At 31 Deceber 2016	**410 991**	**12 465**	**423 456**
At 31 Deceber 2017	**280 424**	**17 723**	**298 147**

23. Current tax assets

Current tax assets break down as follows:

MZN'000

	2017	2016
Corporate tax advance payments	38 265	38 165
Corporate tax at source	77 510	54 000
	115 775	**92 165**

24. Deposits from Banks

Loans from Credit Institutions including the Central Bank of Mozambique are as follows:

MZN'000

	2017	2016
Central Bank Resources	-	12 067 219
Deposits from banks	15 480	32 717
	15 480	**12 099 936**

24.1 Central Bank Resources

Deposits from Central Bank breaks down as follows:

MZN'000

	2017	2016
Central bank resources	-	12 067 219
	-	**12 067 219**

The significant change in the heading was due to the liquidation of the loan under the Central Bank of Mozambique's Liquidity Support Line.

24.2 Deposits from banks

MZN'000

	2017	2016
Demand deposits	3 748	4 823
Time deposits	11 732	27 894
	15 480	**32 717**

25. Deposits from customers

Deposits from customers break down as follows:

MZN'000

	2017	2016
Current accounts	6 787 523	7 881 884
Time deposits	11 128 128	8 127 495
Other	44 456	48 931
	17 960 107	**16 058 310**

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

MZN'000

	2017	2016
On demand	7 270 029	7 881 885
Up to 3 months	4 229 168	3 458 135
From 3 months to 1 year	6 434 755	4 707 937
From 1 year to 5 years	24 787	8 924
More than 5 years	1 368	1 429
	17 960 107	**16 058 310**

26. Financial trading liabilities and other financial liabilities at fair value

The Bank uses swaps and foreign exchange forwards to manage the liquidity situation either in foreign currency or in Meticais, and for coverage of risk in exchange and interest rate variation. These instruments are traded for both trading and hedging activities and result in an economic exchange of currencies, prices and interest rates. In the case of Exchange Swaps there is always an exchange of notional values. The Bank's credit risk exposure represents the potential cost, at market prices, of replacing the swap contracts if counterparties fail to fulfil their obligation. To control the level of credit risk taken, the Bank assesses counterparties using the same technique as for its lending activities.

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

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates relative to their terms.

Financial trading liabilities and other financial liabilities at fair value are as follows:

MZN'000

	2017	2016
Held-for-trading financial liabilities and other financialliabilities at fair value	-	234 804
	-	**234 804**

27. Consigned liabilities

MZN'000

	2017	2016
i) BEI	66 807	111 345
ii) MINISTRY OF INDUSTRY (PRSP II)	6 172	5 100
iii) AFDB	121 238	323 208
INSTREST	14 034	-
	208 251	**439 653**

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

ii) Another agreement was entered into with the Ministry of Commerce and Industry to access funds granted by the Italian Government in the form of a loan (PRSP - Programa de Relançamento do sector privado) aimed at supporting private sector activities directly affected by the natural disasters which occurred in 2000/2001. The loan, disbursed to 31 March 2015, amounts to 120 million Meticais, for a period of 5 years. The coupon is paid every six months at a flat rate of 10.00% per annum.

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

28. Other liabilities

This item breaks down as follows:

MZN'000

	2017	2016
Payables	101 063	132 813
Accrued expenses	159 144	214 213
Deferred income	64 171	56 038
Provisions	91 535	677
	415 913	**403 741**

29. Debt securities issued

Debt securities issued break down as follows:

MZN'000

	2017	2016
Debt securities issued		-
Moza Banco 2nd Issue		271 500
Subordinated debt securities		
Moza Banco 2013-2023 subordinated debt	750 962	805 282
Moza Banco 2013-2023 subordinated debt	118 557	118 557
	869 519	**1 195 339**

Moza Banco 2014 - 2nd Issue

This Corporate Bond has a three-year maturity and was issued by Moza Banco on 6 August 2014 with a nominal value of MZN 100 per bond. The total amount of this issue was MZN 250 000 000, and interest will be paid on a semi-annual basis at a fixed rate of 13.00% per annum for the first 2 coupon payments (1 year) and floating, indexed to 'Facilidade Permanente de Cedência' (FPC) plus 4.25% for the last 4 coupon payments (2 and 3 years). The principal from this issue has been fully repaid in one instalment on the date of payment of the last coupon.

Moza Banco 2013-2023 - Subordinated debt

This Subordinated Bond has a 10-year maturity and was issued by Moza Banco on 27 December 2013 with a nominal value of MZN 100 per bond. The total amount of this issue was MZN 750 000 000, and interest will be paid on a semi-annual basis at a fixed rate of 14.5% per annum. Principal will be reimbursed at the maturity date unless the issuer decides to exercise the early redemption option, which is only possible after 5 years and with prior approval from the Central Bank of Mozambique.

Moza Banco 2013-2016- Subordinated debt

This Subordinated Bond has a six-year maturity and was issued by Moza Banco on 31 March 2016, with a nominal value of MZN 100 per bond. With a total nominal amount of transaction 118 000 000, interest will be paid on a monthly basis at a fixed rate of 17% per annum. Principal will be reimbursed at the maturity date unless the issuer decides to exercise the early redemption option, which is only possible after 5 years and with prior approval from the Central Bank of Mozambique.

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

MZN'000

	2017	2016
From 3 months to 1 year		271 500
From 1 year to 5 years	750 962	118 557
More than 5 years	118 557	805 281
	869 519	**1 195 338**

30. Share capital

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

MZN'000

31.12.2017	Number of shares	Nominal amount	Total share capital	% share capital
Shareholder				
Kuhanha - Sociedade Gestora do Fundo de Pensões	468 482	25 000	11 712 050	84,62%
Moçambique Capitais, S.A.	43 435	25 000	1 085 875	7,85%
Novo Banco	41 732	25 000	1 043 300	7,54%
Dr. António Matos	1	25 000	25	0,00%
	553 650		**13 841 250**	**100,00%**

MZN'000

31.12.2016	Number of shares	Nominal amount	Total share capital	% share capital
Shareholder				
Moçambique Capitais, S.A.	43 435	25 000	1 085 875	50,999%
Novo Banco	41 732	25 000	1 043 300	49,000%
Dr. António Matos	1	25 000	25	0,001%
	85 168		**2 129 200**	**100%**

During the 2016 period there was no capital increase. An amount of MZN 8,000 was settled, as it had been transferred by the shareholder at the end of 2015. This was not included at that time and was settled during the 2016 fiscal year.

During the 2017 financial year, there were two share capital increases totalling 11,712,050 thousand Meticais, represented by 468,482 shares with a nominal value of 25,000 Meticais each.

MZN'000

	2017	2016
Ordinary shares		
At 31 December 2016	85 168	2 129 200
Increase	468 482	11 712 050
At 31 December 2017	553 650	13 841 250

31. Reserves

Legal reserve is composed as follows:

MZN'000

	2017	2016
Legal Reserve	61 548	61 548
Credit Risk reserve	(9 095)	
	52 453	61 548

In compliance with Mozambican legislation, each year the Bank must allocate not less than 15% of its prior year profit after tax to the legal reserve, until this reserve is equal to the amount of capital.

32. Financial instruments

The classification of the financial instruments is as follows:

MZN'000

2017	At fair value through profit or loss	Financial assets available for sale	Loans and accounts receivable	Total
Assets				
Cash and balances with central bank	-	-	806 636	806 636
Deposits with banks	-	-	115 484	115 484
Loans and advances to banks	-	-	2 359 783	2 359 783
Financial assets held for trading	2 487 818	-	-	2 487 818
Financial assets ready for sale	-	2 527 884	-	2 527 884
Loans and advance to customers	-	-	15 281 038	15 281 038
Other assets	-	-	42 224	42 224
Total assets	**2 487 818**	**2 527 884**	**18 605 165**	**23 620 867**

MZN'000

Liabilities	At fair value through profit or loss	Other Financial Liabilities	Non-financial liabilities	Total
Deposits from banks	-	15 480	-	15 480
Deposits from costumers	-	17 960 107	-	17 960 107
Consigned liabilities	-	208 251	-	208 251
Other liabilities	-	415 913	-	415 913
Debt securities issued	-	869 519	-	869 519
Total liabilities	**-**	**19 469 269**	**-**	**19 469 269**

MZN'000

2016	At fair value through profit or loss	Financial assets available for sale	Loans and accounts receivable	Total
Assets				
Cash and balances with central bank	-	-	1 043 993	1 043 993
Deposits with banks	-	-	471 493	471 493
Loans and advances to banks	-	-	1 029 673	1 029 673
Financial assets held for trading	1 231 806	-	-	1 231 806
Financial assets ready for sale	-	3 341 270	-	3 341 270
Loans and advance to customers	-	-	14 146 038	14 146 038
Other assets	-	-	86 722	86 722
Non current assets held for sale				
Total assets	**1 231 806**	**3 341 270**	**16 777 919**	**21 350 996**

MZN'000

Liabilities	At fair value through profit or loss	Other Financial Liabilities	Non-financial liabilities	Total
Recursos de instituições de crédito	-	12 099 936	-	12 099 936
Depósitos e contas correntes	-	16 058 310	-	16 058 310
Liabilities End of trading Other fin. liabilities at fair value	234 804			234 804
Consigned liabilities	-	439 653	-	439 653
Other liabilities	-	403 741	-	403 741
Debt securities	-	1 195 338	-	1 195 338
Total liabilities	**234 804**	**30 196 978**	**-**	**30 431 782**

32.1. FAIR VALUE OF FINANCIAL INSTRUMENTS

AVAILABLE-FOR SALE FINANCIAL ASSETS

Financial assets available for sale valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models that use both observable and non-observable data. The non-observable inputs to the model include assumptions regarding the future financial performance of the investee, the risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

HELD-FOR-TRADING FINANCIAL ASSETS

For held-for-trading financial assets that are unquoted, a discounted cash flow model is used based on various assumptions, including current and expected future credit losses, market interest rates, prepayment rates and assumptions regarding market liquidity and credit spreads.

DETERMINATION OF FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: : Amounts quoted (non-adjustable) in active markets for identifiable assets and liabilities..

Level 2: Other valuation techniques for which inputs that have a significant impact on fair value determination are carried out with observable information, either directly or indirectly.

The Bank values treasury bonds at the present value of available-for-sale financial assets. The interest rates used to determine the discount factor are market observable, specifically the average rates at which Treasury Bills and Treasury Bonds are sold in the market, namely, 23.45% to 30.15% (8 to 21.50% in 2016).

Level 3: Techniques which use inputs that have a significant effect on the fair value and that are not based on observable market data.

The fair value of quoted notes and bonds is based on price quotations at the reporting date only when there is an active market. For Treasury Bonds for which there is no active market, the Bank uses the discounted cash flow model. The fair value of unquoted instruments, loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt with similar terms, credit risk and remaining maturities.

The following table shows a breakdown of financial instruments recorded at fair value by level in the fair value hierarchy:

MZN'000

2017	Level 1	Level2	Level 3	Total
Financial assets				
Cash and balances with central bank	-	-	806 636	806 636
Deposits with banks	-	-	115 484	115 484
Loans and advances with banks	-	-	2 359 783	2 359 783
Financial assets held for trading	212 262	-	2 275 556	2 487 818
Financial assets available for sale	2 230 102	297 782	-	2 527 884
Loans and advances to customers	-	-	15 281 038	15 281 038
Other assets		-	42 224	42 224
	2 442 364	**297 782**	**20 880 721**	**23 620 867**

MZN'000

Financial liabilities				
Deposits from banks	-	-	15 480	15 480
Deposits from customers	-	-	17 960 107	17 960 107
Consigned liabilities	-	-	208 251	208 251
Debt securities issued	-	-	869 519	869 519
Other liabilities	-	-	415 913	415 913
	-	**-**	**19 469 269**	**19 469 269**

MZN'000

2016	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and balances with central bank	-	-	1 043 993	1 043 993
Deposits with banks	-	-	471 493	471 493
Loans and advances with banks	-	-	1 029 673	1 029 673
Financial assets held for trading	178 961	-	1 052 845	1 231 806
Financial assets available for sale	-		3 341 270	3 341 270
Loans and advances to customers	-	-	17 146 038	17 146 038
Other assets		-	86 722	86 722
	178 961	**-**	**24 172 034**	**24 350 995**

MZN'000

Passivos financeiros				
Deposits from banks	-	-	12 099 936	12 099 936
Deposits from customers	-	-	16 058 310	16 058 310
Liabilities End of trading Other fin. liabilities at fair value			234 804	234 804
Consigned liabilities	-	-	439 653	439 653
Debt securities issued	-	-	1 195 338	1 195 338
Other liabilities	-	-	403 741	403 741
	-	**-**	**30 431 782**	**30 431 782**

Set out below is a comparison, by class of instrument, of the carrying amounts and fair values of those of the Bank's financial instruments that are not measured at fair value in the financial statements:

MZN'000

	2017		2016	
	Book Value	Fair Value	Carrying amount	Fair value
Financial assets				
Cash and balances with central bank	806 636	806 636	1 043 993	1 043 993
Deposits with banks	115 484	115 484	471 493	471 493
Loans and advances to banks	2 359 783	2 359 783	1 029 673	1 050 267
Financial assets held for trading	2 487 818	2 487 818	1 231 806	1 231 806
Financial assets available for sale	2 527 884	2 527 884	3 341 270	3 341 270
Loans and advances to customers	15 281 038	14 364 176	17 146 038	16 117 276
Other assets	833 562	833 562	773 216	773 216
	24 412 205	**23 495 342**	**25 037 489**	**24 029 320**
Financial liabilities				
Deposits from banks	15 480	15 944	12 099 936	12 462 934
Deposits from customers	17 960 107	18 678 511	16 058 310	16 700 642
Fin trading liabilities and other fin. liabilities at fair value	-	-	234 804	246 544
Consigned liabilities	208 251	202 003	439 653	426 463
Debt securities issued	869 519	912 995	1 195 338	1 255 105
Other liabilities	415 913	415 925	16 413	16 413
	19 469 269	**20 225 379**	**30 044 454**	**31 108 101**
	4 942 935	**3 269 964**	**(5 006 965)**	**(7 078 781)**

The Board of Directors considers that Cash and balances with Central Bank and Due from banks close to their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between interested parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The fair value of financial assets held for trading and financial instruments available for sale is based on quoted markets where an active market exists or using the net present value model, based on observable market rates, such as Treasury Bills, with a range of 23.45% to 30.15% (23.16% to 28.84% in 2016).
- The Bank presents derivative financial instruments, such as foreign exchange swaps and forwards. The valuation technique used includes forward pricing. The model incorporates inputs such as foreign exchange spot and forward rates, yield curves of the relevant currencies, and currency basis spreads between the currencies' interest rate curves and forward rate curves.
- The fair value of financial instruments that are measured at amortised cost, such as loans and advances to other banks, loans and advances to customers, deposits from banks, customer deposits and debt securities, is measured at the net present value.

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33. Related party disclosures

Balances arising from direct transactions with related parties are as follows:

MZN'000

		Deposits with banks	Loans and advances to banks	Loans and advances to customers	Deposits from banks	Deposits from customers	Other Liabilities
Shareholders							
Kuhanha	2017					1 780 316	
	2016						
Moçambique Capitais	2017			196,73			
	2016					1 307	
Novo Banco	2017		246 075		11 806		
	2016	109 220	428 814		57 182		5 571
Almeida Matos	2017					14 183	
	2016						

Key management staff balances break down as follows:

MZN'000

Key management staff		Loans and advances to customers	Deposits from customers
Board of Directors	2017	99 302	39 151
	2016	53 105	118 670

Transactions with related parties are as follows:

MZN'000

		Operational leases	Interest payable	Interest earned
Shareholders				
Moçambique Capitais	2017	7 137	78	31
	2016	12 068	-	-
Novo Banco	2017	-		
	2016	-	3 365	3
Key management staff				
Board of Directors	2017	-		
	2016	**-**	**7 185**	**5 191**

34. Contingencies and commitments

MZN'000

Contingencies	2017	2016
Garantias	2 216 539	2 270 400
Cartas de crédito	845 780	666 100
	3 062 319	**2 936 500**

Operating leases - Bank as lessee

The Bank leased a number of branches and office premises under operating lease agreements. Typically leases run for a period between 8 to 10 years, with an option to renew the lease after that date. Lease payments are revised every year to reflect market rentals. Minimum rentals payable under irrevocable operating leases as of 31 December are as follows:

MZN'000

Operating leases - bank as lessee	2017	2016
Up to 1 year	321 299	249 417
Between 1 and 5 years	503 323	478 096
More than 5 years	87 385	361 935
	912 007	**1 089 449**

35. Going concern assumption

During the year ended 31 December 2017, the Bank recorded a loss of MZN 1,459 million (2016: loss of MZN 5,268 million). This was mainly as a result of the marked increase in impairment, due to the deterioration of the portfolio as a result of the macroeconomic environment, as well as the significant positive contribution that was made by both net interest income and financial operations associated with adequate and rational cost management.

Following the recapitalisation process of the Bank started in 2016, the shareholders at the Extraordinary General Meeting approved two capital increases in the total amount of Eleven Thousand Seven Hundred and Twelve Million and Fifty Thousand Meticais (MZN 11,712,050,000), which were fully undertaken by KUHANHA - Sociedade Gestora do Fundo de Pensões do Banco de Moçambique [Pension Fund Management Company of the Central Bank of Mozambique], which, as majority shareholder, now holds 84.62% of the share capital.

With the aforementioned capital increases, the Bank became the institution with the largest capital stock to operate in the Mozambican financial markets, which allowed it to set its capital adequacy ratio at 23.46% as at 31 December 2017 (2016: 98.88% negative). It should be noted that the minimum value for the capital adequacy ratio required by the Central Bank is 9%.

On 28 July 2017, the Extraordinary General Meeting approved a strategic plan for the next 5 years (2017 - 2021), which is based essentially on two fundamental premises that aim to recover and consolidate the Bank in the Mozambican financial markets which are as follows:

- **Adjustment period (2017 and 2018)** - In the short term, the Bank foresees the adjustment of its organisational structure, streamlining and consolidating application processes and technologies in order to rationalize operational and investment costs;
- **Growth period (2019 - 2021)** - In this period, the Bank foresees the creation of a return for the shareholder as a result of the measures taken in the adjustment period and aggregates for creating new lines of business and empowering the customer relationship.

As a consequence of these measures, there has been a marked increase in the Bank's activity and an increase in trust from stakeholders, which has led to a gradual strengthening of the Bank's financial situation and compliance with the strategic guidelines that have been defined for it. This allows it to face the future with excellent prospects of consolidating the Bank's place in Mozambican financial markets.

Therefore, the financial statements presented were based on the assumption of continuity.

36. Events after the reporting date

As the Bank's majority shareholder, Kuhanha reported on 27 February 2018 that a Memorandum of Understanding had been entered into with Arise Fund allowing the latter to become a minority shareholder of Moza Banco, S.A. Based on the said Memorandum, the parties to it aim to foster a sustained growth and consolidate Moza's position within the Mozambican banking sector.

14. Independent Auditor's Report and Supervisory Board Report

Independent Auditor's Report
For the Board of Directors o Moza Banco S.A

OPINION

We have audited the financial statements of Moza Banco, SA ('the Bank'), pages 6 to 83, which comprise the statement of financial position as of 31 December, 2017, and the income statement, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Moza Banco as of 31 December 2017, its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

BASIS OF OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are described in the section of the report Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the Bank in accordance with the IESBA Code of Ethics for Professional Accountants and also in accordance with other independence requirements applicable to the performance of our audit of the financial statements in Mozambique. We have also complied with other ethical requirements in accordance with the IESBA Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

RELEVANT AUDIT MATTERS

Relevant audit matters are those matters that, in our professional judgement, were of major importance in our audit of the financial statements in the current period. These matters were addressed in our audit of the financial statements as a whole and we have not issued a separate opinion on these matters.

GOING CONCERN ASSUMPTION
See note 35 in the financial statements

Relevant Audit Matters	Our approach to the audit
As indicated in note 35, for the year ended 31 December 2017, the Bank recorded losses of 1,458 thousand millions Meticais (31 December 2016: MZN 5,268 thousand millions). The Bank did not generate sufficient income to cover operating costs. The Bank has a business plan that indicates that it will return to profit in 2019. Should the Bank record any losses, shareholders may, where required, bear any capital increase needed. Due to the importance given by the Board of Directors to ensuring that the Bank operates in accordance with the going concern assumption and the time spent by the audit in reviewing Board of Directors' assessment of the Bank's ability to continue to operate under the going concern assumption, we consider the going concern issue as a relevant audit matter.	Our audit procedures in this area include: • Reviewing the minutes of the Board of Director's meetings during the year to ensure that decisions made were duly reflected in the financial statements. • Reviewing whether the current business plan drawn up by the Board of Directors will restore the Bank's ability to carry on operating on the going concern assumption, including assessing whether shareholder support is feasible. • Reviewing and analysing projections of future cash flows and questioning whether the assumptions used in the projections are reasonable by comparing projection data with current and historical market data, public information about future economic projections and our knowledge of the banking sector in Mozambique. • Assessing whether the financial statements contain adequate disclosures about the use of the going concern accounting basis by Board of Directors in the light of the Bank's circumstances.

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Impairment on loans and advances to customers Sees notes 1.3, 1.4 and 17 of the financial statements	
Relevant Audit Matters	**Our approach to the audit**

The main activity of the Bank is to provide loans and advances to customers. Loans and advances to customers show a balance of MZN 15.3 thousand millions as at 31 December 2017 (31 December 2016: MZN 17.1 thousand millions), representing 58% (31 December 2016: 62%) of the total assets of the Bank.
The credit risk related to these loans and advances to customers is the largest that the Bank faced during the year. Due to the slowdown in the economy resulting from the suspension of donor support for the state budget and the reduction in government expenditures, there was an increase in companies that went bankrupt while people's purchasing power declined due to rising inflation. The ability of customers to service debt was heavily affected by the high interest rates in the economy.
When estimating the impairment of loans and advances to customers at an individual and collective level, management makes complex and subjective judgments about the timing and extent of the impairment to be recognised. The overdue loan portfolio increased by 52% in 2017, with impairment provision increasing by 49% due to deterioration in the loan portfolio.
Given the importance of loans and advances to customers in the financial statements, the importance of the judgements made by the Directors in estimating impairment, the impairment of loans and advances to customers was considered relevant to auditing matters.
	Our audit procedures in this area include:
	• Evaluating and testing the control design and operating effectiveness for impairment calculations;
	• For individual impairment:
	  • challenging the assumptions used in determining future cash flows relating to loans and advances to customers through comparisons with external evidence, where available;
	  • recalculating individual impairment for a sample of loans and advances to customers based on high risk criteria and comparing with the impairment recorded by the Bank.
	• For collective impairment calculated on the basis of models:
	  • Obtaining an understanding of the models used for the calculation of impairment, comparing with the requirements of IAS 39 and concluding whether these requirements are in compliance with IFRS.
	  • On a sampling basis, we recalculate the impairment and compare our results with the impairment recognised by the Bank;
	  • Evaluating whether the model results are reasonable based on our industry knowledge.
	• Evaluating whether the financial statements contain adequate disclosures about the impairment of loans and advances to customers in accordance with IFRS requirements.

OTHER INFORMATION

Other information falls under the Directors' responsibility. Other information includes the Directors' report and the Directors' liability statement as required by the Mozambique Commercial Code. Other information excludes the financial statements and our audit report on them.

Our opinion on the financial statements does not cover other information and we do not express an audit opinion or any other form of guarantee on it.

Within our audit of the financial statements, our responsibility is to read the other information and, in so doing, to consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or if it otherwise appears to contain material misstatements. If, based on the work we carry out on the other information obtained before the date of the auditor's report, we conclude that there is a material misstatement in this other information, we are required to report this fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and proper submission of the financial statements in accordance with International Financial Reporting Standards and the internal control that the Directors determine to be required to enable the preparation of financial statements that are free from material misstatement due to fraud or error.

When preparing the financial statements, the Directors are responsible for evaluating the Bank's ability to carry on its business, and to disclose, where applicable, any matters relating to the going concern using the going concern assumption unless the Directors intend to wind up the Bank and cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error and to issue an audit report that includes our opinion. Reasonable assurance means a high level of assurance, but it is not a guarantee that an audit performed in accordance with ISAs will always detect any existing material misstatement. Misstatements may result from fraud or error and are considered material if, individually or jointly, they can reasonably influence users' financial decisions in accordance with the financial statements.

As part of an audit in accordance with the ISA, we use professional judgement and maintain professional scepticism during the audit and likewise:

- We identify and evaluate the risks of material misstatement in the financial statements due to fraud or error, we design and perform audit procedures that respond to those risks, and we obtain audit evidence that is sufficient and appropriate to substantiate our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error, as fraud may involve collusion, counterfeiting, intentional omissions, false declarations or derogation from internal control;
- We obtain information on the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but we do not express an opinion on the effectiveness of the Bank's internal control;
- We assess whether the accounting policies used are adequate and whether the accounting estimates and related disclosures made by management are reasonable;

- We draw conclusions on the adequacy of management's use of the going concern assumption and on the basis of audit evidence obtained, whether there is material uncertainty related to events or conditions that could raise a significant doubt as to the Bank's ability to continue to operate in accordance with the going concern assumption. If we determine that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to change our opinion. Our conclusions are based on audit evidence obtained as of the date of our audit report. However, future events or conditions may cause the Bank to cease to operate under the going concern assumption;
- We assess the overall presentation, structure and content of financial statements, including disclosures, and whether the financial statements reflect the underlying transactions and events in order to obtain a fair presentation.
- We discuss with Directors, among other matters, the planned scope and timing of the audit and the relevant audit findings, including any significant weaknesses in internal control that we were able to detect during the audit.

We also provide Directors with a statement that we have fulfilled the relevant ethical requirements regarding independence and we report all relationships and other matters that could reasonably influence our independence and, where applicable, related safeguards.

In matters reported to Directors, we determine the matters that were most important in auditing the financial statements for the current period and are therefore the main auditing matters. We describe these matters in the auditors' report, unless a law or regulation prevents public disclosure such matters or when, in extremely rare circumstances, we consider that a matter should not be included in our report because the adverse consequences of doing so would be expected to outweigh the benefits of public interest in such communication.

KPMG, Sociedade de Auditores Certificados

Representeb by:

Abel Jone Guaiaguaia, OCAM nº 04/CA/OCAM/2012

23 March 2018

Maputo

Supervisory Board Report and Opinion for Financial Year 2017

TO THE SHAREHOLDERS OF MOZA BANCO, S.A.

As required by law, we submit the Supervisory Board Report and the Board's opinion on the Management Report, the accounts and the proposed allocation of results submitted by Moza Banco's Board of Directors for the year ended 31 December 2017.

To perform its supervisory function, the Supervisory Board monitored the Bank's activity during the year by analysing its quarterly financial statements and management reports.

The Supervisory Board has taken note of the Independent Auditor's Report on the financial statements for 2017, issued without qualifications on 22 March 2018, with which we agree. However, attention should be drawn to note 35 of the financial statements that addresses the assumptions of the Bank's going concern operations by the Shareholders.

As a result of the Supervisory Board's supervisory activity, at the Annual General Meeting of Moza Banco, SA, with reference to 31 December 2017, the shareholders voted in favour of approving:

a) The financial statements submitted by the Board of Directors and other documents required by law or regulations, which had previously been submitted to the Supervisory Board and which are in accordance with the law and comply with the corporate bylaws and the rules laid down by the Bank of Mozambique. These financial statements were prepared in accordance with the reporting standards applicable to the year ended 31 December 2017, and give a true and fair view of Moza Banco's assets and liabilities, financial position and results.

b) The management report issued by the Board of Directors, which in our opinion explains the main aspects of the Bank's activity in financial year 2017.

c) The proposal submitted by the Board of Directors for the allocation of the net profit for 2017 in the amount of MZN 1,458,838,000.

Lastly, the Supervisory Board notes and appreciates the excellent collaboration that the Bank's Board of Directors, the General Secretary of the Company, and the Services extended to us; in addition it acknowledges the efforts undertaken by the Board of Directors to reduce the negative results compared to those of the 2016 financial year.

Maputo , 23 March 2018

Venâncio M. Chirrime

Sariel A. Nhabinde

Maria de Jesus Langa

Maria Lúcia Zacaria

MOZA

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