

ANNUAL REPORT 2020

FINANCIAL STATEMENTS

volume 29





ANNUAL REPORT 2020

BANCO DE MOÇAMBIQUE

ANNUAL REPORT

Under the Law 1/92, of 3rd January, the Banco de Moçambique (BM) was empowered to act as a Central Bank

The present Annual Report edition reports the activities of BM in 2020.

Publishing Committee: Banco de Moçambique
Accounting department
Accounting and Budget Department
Department of Economic Studies and Statistics
Banking Prudential Supervision Department
Payment Systems Department

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Financial Statements; Macroeconomic Environment;
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BOARD OF DIRECTORS



Governor **Rogério Lucas Zandamela** (center)

LEFT

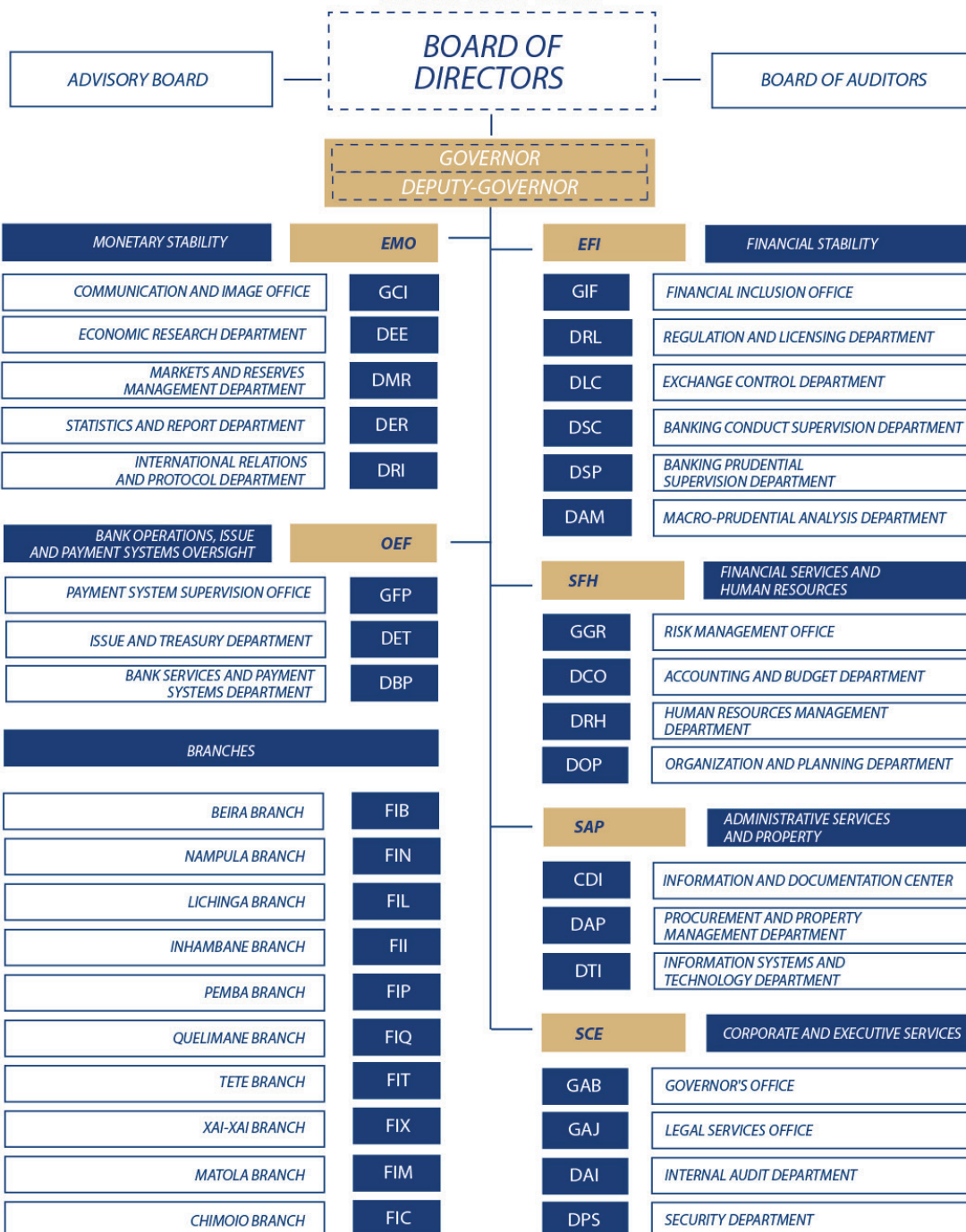
Deputy Governor **Victor Pedro Gomes**
Board Member **Felisberto Dinis Navalha**
Board Member **Benedita Maria Guimino**

RIGHT

Board Member **Gertrudes Adolfo Macueve Tovela**
Board Member **Jamal Omar**
Board Member **Silvina de Abreu**



ORGANIZATION CHART



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BANCO DE MOÇAMBIQUE
CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2020

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FOREWORD



FINANCIAL STATEMENTS



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BANCO DE MOÇAMBIQUE
CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2020

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the due preparation and presentation of the consolidated and individual financial statements of the Banco de Moçambique, comprising the financial position statement, profit or loss statement, comprehensive income statement, statement of changes in equity and cash flow statement for the financial year in question, as well as notes to the financial statements, which include a summary of key accounting policies and other explanatory notes, in accordance with the Organic Law of the Banco de Moçambique and International Financial Reporting Standards.

The Board of Directors is also responsible for the development, implementation, and maintenance of an internal control system relevant to the preparation and appropriate presentation of consolidated and separate financial statements that are free from material distortion, due to both fraud and error, and for keeping adequate accounting records and an effective risk management system.

APPROVAL OF THE FINANCIAL STATEMENTS

Pursuant to articles 64 and 65 of Law 1/92 of 3 January, Organic Law of the Banco de Moçambique, the financial statements for the financial year ended 31 December 2022, referred to in the first paragraph, have been approved by the Board of Directors on 31 March 2022, and, on their behalf, shall be signed by:



Benedita Maria Guimino
Board Member for

Financial Services and Human Resources





Tel: 258 21 300720
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Email: bdo@bdo.co.mz
www.bdo.co.mz

Av. 25 de Setembro
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CP 4200

TO
BOARD OF DIRECTORS OF THE BANCO DE MOÇAMBIQUE
MAPUTO

INDEPENDENT AUDITOR'S REPORT

Qualified opinion

We have audited the individual and consolidated financial statements of BANCO DE MOÇAMBIQUE (the Bank and Group), set out on pages 8 to 88, which comprise the individual and consolidated statements of financial position as at 31 December 2020, the individual and consolidated income statements, the individual and consolidated statements of comprehensive income, the individual and consolidated statements of changes in equity, and the individual and consolidated statements of cash flows for the year then ended; and notes to the individual and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the paragraph 1 below and the effects of matter described on the paragraph 2 and 3 in the *Basis for Qualified Opinion* section of our report, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of BANCO DE MOÇAMBIQUE as at 31 December 2020, and its financial performance and its individual and consolidated cash flows for the year then ended in accordance with the accounting policies described in note 1.2 to the consolidated and individual financial statements.

Basis for qualified opinion

- 1 Due to the fact that the predecessor auditor issued an *Adverse Opinion* on the 2017 and 2018 financial statements, whose magnitude affected the opening and closing balances of 2019 financial statements, we are unable to ensure the completeness, existence and accuracy of the opening balances (comparative balances), nor its impact on the closing balances as at 31 December 2020. This situation represents a limitation on the scope of our work.
- 2 Although the article 14 of Law 01/92 of 3 January (organic law) defines that the debit balances of exchange rate fluctuations must be recognised by the Government of Mozambique, which will issue public debt securities in favour of the Central Bank, we noted that the Government of Mozambique has not assumed its responsibility since 2005 in the approximate amount of 9 234 760 thousand Meticaís, nor has the Bank recognised the accumulated income associated with this State debt in the approximate amount of 12 970 120 thousand Meticaís.
- 3 We note that the Bank of Mozambique did not record its liabilities refereeing to the changes in actuarial assumptions, in accordance with IAS 19, in the amount of 10 709 192 thousand Meticaís, thus affecting liabilities and equity in the same amount.

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We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical recommendations from Board of Accountants and Auditors of Mozambique (OCAM). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Bank and Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis

We draw attention to the following situations:

Basis of accounting

Note 1.2 of the individual and consolidated financial statements which describes the basis of accounting. The individual and consolidated financial statements are prepared for the purpose of complying with the financial reporting provisions described in that note and, accordingly, the financial statements may not be suitable for any other purpose.

Contingent assets relating to monetary policy costs.

Note 33.1 of the individual and consolidated financial statements which discloses contingent assets relating to monetary policy costs, whose effects are reflected in the Bank's liquidity, as can be seen in note 4.3.

Our opinion is not modified in respect of these matters.

Information other than the individual and consolidated financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the individual and consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements with the accounting policies described in note 1.2 to the individual and consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank and Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank and/or Group financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and Group to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

BDO (MOZAMBIQUE), LDA

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

Engagement Partner: Abdul Satar A. Hamid

Registered Auditor: 01/CA/OCAM/2012

Maputo, 31 March 2022





BANCO DE MOÇAMBIQUE
CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS
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TO
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BDO (MOZAMBIQUE), LDA

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

Engagement Partner: Abdul Satar A. Hamid

Registered Auditor: 01/CA/OCAM/2012

Maputo, 31 March 2022



BANCO DE MOÇAMBIQUE
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticaís)

	Notes	INDIVIDUAL		CONSOLIDADA	
		2020	2019	2020	2019
Assets					
Foreign currency	5	2.856.885	1.901.584	2.856.885	1.901.584
Deposit with other financial institutions	6	8.450.327	2.163.157	9.290.882	2.825.070
Gold	7	17.958.167	11.848.561	17.958.167	11.848.561
Financial assets at fair value through profit or loss	8	37.648.336	24.238.208	37.648.336	24.238.208
Financial assets at fair value through other comprehensive income	9	235.139.298	196.402.469	235.139.298	196.402.469
Financial assets at amortized cost	10	161.453.738	82.189.391	161.530.589	82.267.917
Financial investments	11	660.410	660.410	-	-
Other tangible assets	12	42.887.550	39.476.525	43.581.441	40.066.986
Intangible assets	13	83.980	49.153	283.350	351.704
Other financial assets	14	64.412.017	58.213.228	63.784.088	57.600.281
External Financing	15	9.234.760	38.261.614	9.234.760	38.261.614
Employee benefits assets	20	2.474.732	2.481.164	2.474.732	2.481.164
Total Assets		583.260.200	457.885.464	583.782.528	458.245.558
Liabilities					
Banknotes and coins in circulation	16	68.673.677	59.534.702	68.673.677	59.534.702
Deposits from other institutions	17	187.857.429	165.380.987	187.857.429	165.380.987
Mozambique Government Treasury bills issued and other monetary instruments	18	306.026.766	212.089.239	306.026.766	212.089.239
External Financing	19	17.868.780	16.611.374	17.868.780	16.611.374
Other liabilities	21	1.133.656	1.962.379	1.616.024	2.380.971
Provisions		-	-	-	-
Total Liabilities		581.560.308	455.578.681	582.042.676	455.997.273
Equity					
Capital	22	2.596.721	2.596.721	2.596.721	2.596.721
Legal reserve	23	488.412	488.412	543.215	543.215
Non-distributable reserves	23	13.831.374	11.835.090	13.082.773	10.981.747
Employee benefits reserve	23	(7.199.763)	(6.100.773)	(7.199.763)	(6.100.773)
Fair value revaluation reserve – available for sale	23	392.035	379.855	392.035	379.855
Fixed asset revaluation reserves	23	10.391.392	10.391.442	10.391.392	10.391.442
Retained earnings		(17.283.964)	(12.483.431)	(17.283.964)	(12.484.220)
Net profit / (Loss of the Year)		(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
		1.699.892	2.306.783	1.151.244	1.659.677
Non-controlling interest	23	-	-	588.608	588.608
Total Equity		1.699.892	2.306.783	1.739.852	2.248.285
Total Liabilities and Equity		583.260.200	457.885.464	583.782.528	458.245.558

ACCOUNTING DEPARTMENT

Alexandre Fumo
Head of the Accounting and Budget
Department

BOARD OF DIRECTORS

Benedita Maria Guimino
Board Member for
Financial Services and Human Resources



BANCO DE MOÇAMBIQUE
CONSOLIDATED AND INDIVIDUAL STATEMENT OF PROFIT OR LOSS
FINANCIAL YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousands of Meticaís)

	Notes	INDIVIDUAL		CONSOLIDADA	
		2020	2019	2020	2019
Interest and similar income	25.1	8.298.194	9.621.497	8.357.449	9.667.428
Interest and similar expenses	25.2	(15.886.922)	(16.397.834)	(15.963.943)	(16.451.382)
Net interest income		(7.588.728)	(6.776.337)	(7.606.494)	(6.783.954)
Fees and commission income	26.1	-	-	1.442.367	1.378.369
Fees and commission expense	26.2	-	-	(709.392)	(727.152)
Net fees and commission income		-	-	732.975	651.217
Net gains from foreign currency operations and revaluation of gold	27	15.428.650	14.084.523	15.377.485	14.086.306
Other operating income	28	3.764.840	292.919	3.816.503	337.882
Total income		11.604.762	7.601.105	12.320.469	8.291.451
Staff costs	29	(9.441.344)	(6.381.801)	(9.608.717)	(6.544.839)
Depreciation	12	(645.750)	(564.269)	(698.625)	(600.663)
Amortization	13	(18.427)	(15.029)	(32.301)	(145.837)
Other operating expenses	30	(3.015.556)	(2.745.595)	(3.351.991)	(2.977.112)
Impairment losses on tangible assets		-	(2.694.944)	-	(2.694.944)
Provisions		-	-	-	23.633
Total operating expenses		(13.121.077)	(12.401.638)	(13.691.634)	(12.939.761)
Net profit/(loss) of the year		(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Net realized income		(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Consolidated net profit attributable to:					
BANCO DE MOÇAMBIQUE		-	-	(1.441.519)	(4.722.676)
Non-controlling interest		-	-	70.354	74.366

ACCOUNTING DEPARTMENT

Alexandre Fumo

Head of the Accounting and Budget
Department

BOARD OF DIRECTORS

Benedita Maria Guimino

Board Member for
Financial Services and Human Resources



BANCO DE MOÇAMBIQUE
CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FINANCIAL YEAR ENDED 31 DECEMBER 2020
 (Amounts expressed in thousands of Meticals)

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Net profit/(loss) of the year	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Other comprehensive income				
Revaluation of tangible fixed assets	-	9.469.227	-	9.469.227
Prior period adjustments	1.996.234	911.259	2.101.026	904.536
Actuarial study adjustment	-	3.458.074	-	3.458.074
Changes in fair value - financial assets available-for-sale	12.180	336.525	12.180	336.525
Changes in fair value - employee benefits	(2.474.732)	(2.481.164)	(2.474.732)	(2.481.164)
Total comprehensive income	(1.982.633)	6.893.388	(1.732.691)	7.038.888

ACCOUNTING DEPARTMENT

Alexandre Fumo

Head of the Accounting and Budget
Department

BOARD OF DIRECTORS

Benedita Maria Guimino

Board Member for
Financial Services and Human Resources



BANCO DE MOÇAMBIQUE
SEPARATE STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticals)

	Notes	Capital	Fair value revaluation reserve	Fixed assets revaluation reserve	Non-distributable reserve	Employee benefits reserve	Legal reserve	Retained earnings	Profit for the year	Total equity
Balance at 1 January 2019 (restated)		2.596.721	43.330	922.215	10.923.831	(7.077.683)	488.412	-	(12.483.431)	(4.586.605)
Net results transfer for 2018		-	-	-	-	-	-	(12.483.431)	12.483.431	-
Total comprehensive income for 2019		-	-	-	-	-	-	-	(4.800.533)	(4.800.533)
Total actuarial statement adjustment for 2019		-	-	-	-	3.458.074	-	-	-	3.458.074
Total prior period adjustments		-	-	-	911.259	-	-	-	-	911.259
Adjustment - Revaluation of tangible fixed assets		-	-	9.469.227	-	-	-	-	-	9.469.227
Adjustment - fair value of financial assets	24	-	336.525	-	-	-	-	-	-	336.525
Employee benefits obligation	20	-	-	-	-	(2.481.164)	-	-	-	(2.481.164)
Balance at 31 December 2019		2.596.721	379.855	10.391.442	11.835.090	(6.100.773)	488.412	(12.483.431)	(4.800.533)	2.306.783
Net results transfer for 2019		-	-	-	-	-	-	(4.800.533)	4.800.533	-
Total comprehensive income for 2020		-	-	-	-	-	-	-	(1.516.315)	(1.516.315)
Total actuarial statement adjustment for 2020		-	-	-	-	(1.098.990)	-	-	-	(1.098.990)
Total prior period adjustments		-	-	(50)	1.996.284	-	-	-	-	1.996.234
Adjustment - Revaluation of tangible fixed assets		-	-	-	-	-	-	-	-	-
Adjustment - fair value of financial assets	24	-	12.180	-	-	-	-	-	-	12.180
Balance at 31 December 2020		2.596.721	392.035	10.391.392	13.831.374	(7.199.763)	488.412	(17.283.964)	(1.516.315)	1.699.892

ACCOUNTING DEPARTMENT

Alexandre Fumo

Head of the Accounting and Budget Department

BOARD OF DIRECTORS

Benedita Maria Guimino

Board Member for
Financial Services and Human Resources



BANCO DE MOÇAMBIQUE
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticaís)

	Notes	Capital	Fair value revaluation reserve	Fixed assets revaluation reserve	Non-distributable reserve	Employee benefits reserve	Legal reserve	Retained earnings	Profit for the year	Total equity	Non- controlling interest	Total equity
Balance at 1 January 2019 (restated)		2.596.721	43.330	922.215	10.117.024	(7.077.683)	503.402	(12.484.220)	-	(5.379.211)	588.608	(4.790.603)
Total comprehensive income for 2019		-	-	-	-	-	-	-	(4.648.310)	(4.648.310)	-	(4.648.310)
Legal reserves constitution		-	-	-	(39.813)	-	39.813	-	-	-	-	-
Total actuarial statement adjustment for 2019		-	-	-	-	3.458.074	-	-	-	3.458.074	-	3.458.074
Total prior period adjustments		-	-	-	904.536	-	-	-	-	904.536	-	904.536
Adjustment - Revaluation of tangible fixed assets		-	-	9.469.227	-	-	-	-	-	9.469.227	-	9.469.227
Adjustment - fair value of financial assets	24	-	336.525	-	-	-	-	-	-	336.525	-	336.525
Employee benefits obligation	20	-	-	-	-	(2.481.164)	-	-	-	(2.481.164)	-	(2.481.164)
Balance at 31 December 2019		2.596.721	379.854	10.391.442	10.981.747	(6.100.773)	543.215	(12.484.220)	(4.648.310)	1.659.676	588.608	2.248.285
Increase in capital		-	-	-	-	-	-	-	-	-	-	-
Declared dividends		-	-	-	-	-	-	-	-	-	-	-
Incorporation into reserves of net income for 2019		-	-	-	-	-	-	(4.656.954)	4.655.442	(1.512)	-	(1.512)
Total comprehensive income for 2020		-	-	-	-	-	-	-	(1.371.165)	(1.371.165)	-	(1.371.165)
Total actuarial statement adjustment for 2019		-	-	-	-	(1.098.990)	-	-	-	(1.098.990)	-	(1.098.990)
Total prior period adjustments		-	-	-	2.101.026	-	-	(142.790)	(7.131)	1.951.105	-	1.951.105
Adjustment - Revaluation of tangible fixed assets		-	-	(50)	-	-	-	-	-	(50)	-	(50)
Adjustment - fair value of financial assets	24	-	12.180	-	-	-	-	-	-	12.180	-	12.180
Balance at 31 December 2020		2.596.721	392.035	10.391.392	13.082.773	(7.199.763)	543.215	(17.283.964)	(1.371.165)	1.151.244	588.608	1.739.852

ACCOUNTING DEPARTMENT

Alexandre Fumo

Head of the Accounting and Budget Department

BOARD OF DIRECTORS

Benedita Maria Guimino

Board Member for
Financial Services and Human Resources



BANCO DE MOÇAMBIQUE
CONSOLIDATED AND INDIVIDUAL STATEMENT OF CASH FLOWS
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticals)

	INDIVIDUAL		CONSOLIDADA	
	2020	2019	2020	2019
Cash flows from operating activities				
Net profit/(loss) of the year	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Adjustments for:				
Depreciation and amortization	664.687	579.299	730.926	746.500
Fixed assets revaluation	-	(9.469.227)	50	(9.469.227)
Impairment losses on tangible assets	-	2.694.944	2.694.944	2.739.636
Tangible and intangible assets	1.590.241	1.590.241	1.714.203	1.547.081
Pension fund costs	-	(2.481.164)	-	(2.481.164)
Net interest and similares	7.588.728	6.776.337	7.606.494	6.783.954
Cash flows from operating activities	8.327.341	(5.110.103)	11.375.452	(4.781.530)
Changes in:				
Financial assets at fair value through other comprehensive income	(13.410.128)	(816.705)	(13.410.128)	(801.705)
Other financial assets	(6.198.789)	(8.147.986)	(6.183.807)	(8.039.658)
Financial assets at amortized cost	(79.264.347)	(20.170.592)	(79.277.672)	(20.203.881)
Deposits from other institutions	22.476.442	49.148.252	22.476.442	49.148.252
Pension fund assets	(4.955.896)	(549.478)	(4.955.896)	(549.478)
Other liabilities	(828.723)	(264.095)	(764.947)	(337.829)
Treasury bills issued on behalf of the Government and other monetary instruments	93.937.527	39.229.188	93.937.527	39.229.189
Foreign exchange repayable by the Government	29.026.854	(10.149.295)	29.026.854	(10.149.295)
Net cash flow from changes in working capital	40.782.940	48.279.289	40.848.372	48.295.595
Net cash from operating activities	49.110.281	43.169.186	52.223.824	43.514.065
Cash flow from investing activities				
Acquisition of property, plant and equipment	(5.647.524)	(3.503.505)	(5.803.672)	(3.516.111)
Acquisition of intangible assets	(53.255)	(16.541)	(87.909)	(23.594)
Changes in cash and cash equivalents and investments in credit institutions and foreign currency	(13.352.077)	(10.033.415)	(13.530.719)	(10.344.297)
Changes in financial assets available-for-sale	(38.736.829)	(10.149.295)	(38.736.829)	(38.547.955)
Interest and similar income	8.298.194	9.621.497	8.357.449	9.667.428
Net cash from investing activities	(49.491.491)	(15.414.871)	(49.801.680)	(42.764.529)
Cash flow from financing activities				
Increase in banknotes and coins in circulation	9.138.975	6.053.133	9.138.975	6.053.133
Changes in external financing	1.257.406	(2.038.486)	1.257.406	(2.038.486)
Changes in reserves	909.424	11.693.920	1.014.166	11.687.198
Interest and similar expenses	(15.886.922)	3.935.228	(15.963.943)	(16.451.382)
Net cash flow from financing activities	5.815.264	(689.267)	(4.553.396)	(749.537)
Net change in cash and cash equivalents	-	-	-	85.882
Cash and cash equivalents at the beginning of the year	-	-	266.913	181.031
Cash and cash equivalents end of the year	-	-	266.913	266.913

ACCOUNTING DEPARTMENT

Alexandre Fumo
Head of the Accounting and Budget
Department

BOARD OF DIRECTORS

Benedita Maria Guimino
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BANCO DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticaís)

NOTE 1 – BASIS OF PREPARATION

1.1. Introduction

The Banco de Moçambique (Bank) is the central bank of the Republic of Mozambique and has its head office at Av. 25 de Setembro, 1695, Maputo. Its capital is fully subscribed and paid up by the State of the Republic of Mozambique.

The main objective of the Bank is to preserve the value of the national currency.

In pursuit of its purpose, the Bank further aims to achieve the following purposes:

- a) promoting better monetary policy;
- b) guiding credit policy with a view to promoting the economic and social growth and development of the country;
- c) Managing external cash and cash equivalents in order to maintain an adequate volume of means of payment necessary for international trade; and
- d) Disciplining banking.

The financial statements for the financial year ended 31 December 2020 have been approved by the Board of Directors of the Bank on 31 March 2022.

The accompanying financial statements are expressed in thousands of meticaís and have been prepared in accordance with the fundamental principles of business continuity, substance over form, materiality and historical cost, with the exception of assets and liabilities accounted at fair value, namely financial assets at fair value through profit or loss and financial assets at fair value through comprehensive income.



BANCO DE MOÇAMBIQUE
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(Amounts expressed in thousands of Meticals)

1.2 Structure of the financial statements

The financial statements herein have been prepared as per the Organic Law of the Banco de Moçambique and International Financial Reporting Standards (IAS/IFRS), as decided by the Board of Directors on 2 August 2019, with the derogations described in point 2.2.

In cases where International Financial Reporting Standards contravene the Organic Law and other instruments approved by the Bank, The Organic Law of the Bank or other policies related to the nature of activities carried out by the central bank shall prevail.

The Organic Law lays down rules for the recognition and classification of assets and liabilities in foreign currency when there are fluctuations in values, but is not prescriptive relating to the other accounting principles to be adopted by the Bank. It is in this context that the Bank's Board, supported by article 61 of the Organic Law, which confers the prerogative to adopt its own rules for accounting and presentation of its accounts, decided to partially adopt IAS/IFRS.

The Bank has subsidiaries and associates operating in different branches of activity, so each of them has a different impact on the financial statements, which has, in turn, impacted the BM's decision regarding the implementation of accounting policies that best reflect the nature of a central bank.

Thus, considering the nature of the activities of the subsidiaries and associates and taking into account the right conferred by Law to adopt own rules for the accounting of their operations, the BM has made adjustments to its financial reporting structure, and not all the subsidiaries were consolidated.

Preparing financial statements in accordance with Organic Law and the IAS/IFRS requires the Bank to make judgments and estimates and use assumptions that may affect the implementation of accounting policies and the amounts of income, expenses, assets, and liabilities. Changes in such assumptions, or their differences from reality, may have an impact on estimates and judgments.

The areas that involve a higher level of judgment or complexity, or where significant assumptions and estimates are used in preparing the financial statements, are analyzed in Note 3.



BANCO DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS
FINANCIAL YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in thousands of Meticaís)

NOTE 2 – KEY ACCOUNTING POLICIES

2.1. Main accounting policies

The key accounting policies adopted by the Bank are described below.

2.1.1. Foreign currency transactions

The Bank's accounting records are processed and held in meticaís. Foreign currency transactions are converted to meticaís using the exchange rate in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currency are converted into currencies using the exchange rate in force at the reporting date.

Non-monetary assets in foreign currency that are valued at historical cost are converted at the exchange rate in force on the date of the transaction. Non-monetary assets in foreign currency that are valued at fair value shall be converted at the exchange rate in force on the date on which the fair value is determined.

During the financial year, the aggregation of gains or losses on foreign currency transactions is made currency by currency, by the difference between the value of transactions and the weighted average cost of the day, calculated based on the “daily net cost method”.

The daily net cost method is the method for calculating the weighted average cost, according to which the weighted average cost of each currency is only changed when the quantity bought on the day is greater than the quantity sold. When the quantity bought on the day is less than the quantity sold, the weighted average cost does not change.

With regard to gains and losses arising from the foreign exchange revaluation of active and passive positions in foreign currency, the Bank applies the provisions of Article 14 of the Organic Law - No. 1/92 of 3 January, which determines that these gains and losses are attributable to the State and, for this reason, must be presented in an account of the financial position (special account for non-realized foreign exchange movements).

The following are the exchange rates used for foreign currency conversion, reported on 31 December 2020.



BANCO DE MOÇAMBIQUE
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Exchange rates at 31 December 2020	Currency	Average exchange rate	
		2020	2019
Meticals per currency units			
USA	USD	74,90	61,47
South Africa	ZAR	5,11	4,37
Australia	AUD	57,68	43,08
European Union	EUR	92,04	68,89
England	GBP	102,17	80,72
IMF	SDR	107,88	84,99

2.1.2 Financial assets and liabilities

Financial assets and liabilities are recognized on the trading date. As of 1 January 2018, the Bank has applied IFRS 9 and moved to classify its financial assets into the following categories:

- Financial assets at amortized cost
- Financial assets measured at fair value through comprehensive income; and
- Financial assets at fair value through profit or loss.

The classification and measurement provided for in IFRS 9 differs from IAS 39 in the following aspects:

- Classification and measurement are no longer based on rules, but on the valuation of the business model, carried out by the Board, which is based on how financial assets are actually managed. The objective is to align the classification of financial assets with the Bank's business;
- A specific valuation of the existence of embedded derivatives is not necessary, since solely payments of principal and interest ("SPPI") are applied.

Classification according to IFRS 9 for investments in debt instruments is carried out by the Board, considering the business model and the characteristics of contractual cash flows. In the test to the business model, the Bank determines the purpose for which it holds the financial assets, that is, whether (i) to receive cash flows; (ii) to receive cash flows and sell; or (iii) to sell. When determining the business model of a group of assets, the following factors are considered:

- History of cash flow receipts;



BANCO DE MOÇAMBIQUE
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- Valuation of asset performance and reporting to the Board;
- Risk assessment and management; and
- Compensation of Administrators.

In the solely payments of principal and interest test, the Bank determines whether the receipts of contractual cash flows represent solely payments of principal and interest on specific dates. In making this valuation, the Bank considers whether the contractual cash flows are consistent with a loan agreement, that is, whether the interest includes only remuneration on the time value of the money, credit risk, other loan risks and a profit margin consistent with the type of loan. A financial asset is measured at amortized cost if the following criteria are met:

- The asset is held for the purpose of receiving contractual cash flows; and
- The contractual cash flows of the assets represent solely payments of principal and interest ("SPPI").

Financial assets included in this category are initially recognized at fair value and subsequently measured at amortized cost.

A financial asset is measured at fair value through comprehensive income if the following criteria are met:

- The asset is held for the purpose of receiving contractual cash flows or for a future sale; and
- The contractual cash flows of the assets represent solely payments of principal and interest ("SPPI").

Financial assets included in the fair value category through comprehensive income category are initially recognized and subsequently measured at fair value. Changes in fair value are recognized in comprehensive income, with the exception of recognition of interest revenue and foreign exchange gains and losses, which are recognized under net income.

When the financial asset is derecognized, the previously accumulated gain or loss in comprehensive income is reclassified to net profit or loss.



BANCO DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS
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According to the new model, the fair value category through profit or loss is the residual category. Financial assets must be classified at fair value through profit or loss, if they do not meet the criteria for classification at fair value, through comprehensive income or amortized cost. Financial assets included in the fair value category through profit or loss shall be measured at fair value, with all changes recognized in net profit or loss.

Regardless of the assessment of the business model, the Bank may classify an asset at fair value through profit or loss, if this eliminates any inconsistencies in the recognition (accounting mismatch).

Investments in equity instruments are always measured at fair value. Capital instruments are those that meet the definition of “equity” from the perspective of the issuer, as defined in IAS 32. Capital instruments that are held for trading shall be classified at fair value through profit or loss. For all other shares, the Board has the possibility to make an irrevocable election in the initial recognition, instrument by instrument, to present changes in fair value in comprehensive income rather than profit or loss. If this election is made, all changes to fair value, excluding dividends that are a return on investment, will be included in comprehensive income. There is no recycling of comprehensive income values for profit or loss (for example, on the sale of a capital investment), nor are there any impairment requirements. However, the Bank may transfer the accumulated gain or loss on net equity.

Fair value means the price that would be received for the sale of an asset, or that would be paid for the transfer of a liability, in an orderly transaction between market participants at the measurement date.

Fair value is determined based on:

- Prices of an active market;
- Recent sales prices of similar assets; or
- Valuation methods and techniques, where there is no active market, which have underlying the following criteria:
 - Level 1: Financial instruments measured according to market prices or *providers*; or



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- Level 2: Financial instruments measured according to internal measurement methodologies, mostly considering observable market data; and/or
- Level 3: Financial instruments measured according to internal valuation methodologies, essentially considering assumptions or adjustments not observable in the market and with significant impact on the measurement of the instrument.

A market is considered to be active and therefore liquid if it trades regularly. In general, there are market prices for securities and derivatives (futures and options) traded on the exchange.

Financial assets are derecognized when: (i) the Bank's contractual rights to receiving cash flows expire, and (ii) the Bank has substantially transferred all the risks and benefits associated to their holding, or (iii) despite holding a part but not substantially all the risks and benefits associated to their holding, the Bank has transferred control over the asset.

Amortized cost

Financial assets at amortized cost are assets held for the purpose of receiving contractual cash flows representing solely payments of principal and interest (SPPI) and are not classified at fair value through profit or loss. The net value of these assets is adjusted considering accumulated impairment losses, and interest income is calculated based on the effective interest rate. Both interest and any dividends are taken into account in the profit or loss statement.

Fair value through comprehensive income

Financial assets measured at fair value through comprehensive income are assets held for receiving contractual cash flows and/or sale, where cash flows represent solely payments of principal and interest (SPPI) and are not classified at fair value through profit or loss. Changes in the net value are recognized in comprehensive income, except for impairment losses and reversals and interest income on the amortized cost of the financial asset that are recognized in the profit or loss statement. When the financial asset is unrecognized, the previously accumulated gain or loss in comprehensive income is reclassified to net profit or loss. Dividends received on assets classified in this category are recognized in net income.



BANCO DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Meticals)

If a capital instrument is not held for trading, the Bank may make the irrevocable decision, on initial recognition, to classify it at fair value through comprehensive income, excluding dividends to be recognized in net income.

Fair value through profit or loss

Financial assets shall be classified at fair value through profit or loss, if they do not meet the criteria of fair value through comprehensive income or amortized cost, this being the residual category of IFRS 9.

In addition, financial assets may, at initial recognition, be classified at fair value through profit or loss, if this classification removes or significantly reduces a measurement or recognition inconsistency, or if the financial asset is part of a portfolio of financial assets held for trading managed and measured as to daily performance based on fair value. A gain or loss on a debt instrument subsequently measured at fair value through profit or loss, other than hedging, is recognized in net income. Interest income is calculated based on the effective interest rate. Both interest and any dividends are taken into account in the profit or loss statement.

Financial liabilities

Financial liabilities include banknotes and coins in circulation, deposits from other institutions, Treasury securities issued on behalf of the State, other instruments arising from monetary policy and financing obtained from the International Monetary Fund (IMF).

Financial liabilities are initially recognized at fair value, including expenses and commissions considered incremental to the transaction, and are subsequently measured at amortized cost.

Any difference between the net received amount of transaction costs and the amount payable at maturity is recognized in the comprehensive income statement over the life of the liability using the effective interest method.

2.1.3. Cash and cash equivalents



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The banknotes and coins comprising the Bank's cash balance at the end of the financial year have been deducted from the value of the banknotes and coins in circulation because they do not represent currency in circulation.

2.1.4. Impairment of financial assets

As of 1 January 2020, the Bank has not applied IFRS 9. However, impairment losses are recognized in the Bank's financial position, when there is objective evidence of a loss event affecting the estimated future cash flow of the financial asset and such loss can be estimated with reasonable confidence.

2.1.5. Gold

Gold is measured at the average price of gold quoted in US dollars at the end of the year on the London gold market. Changes in the fair value of gold, resulting from changes in price, are recognized under profit or loss.

Foreign exchange gains and losses on gold transactions are recognized in the special account for exchange movements.

2.1.6. Other tangible assets

The other tangible assets are initially measured at cost. Subsequently, the Other tangible assets of the Bank are measured at cost model with the exception of buildings that are measured at reevaluation model, deducted from their respective accumulated depreciation and accumulated impairment losses. The cost of acquisition includes expenses that are directly attributable to the procurement of the goods.

With reference to 31 December 2019, the properties were revaluated by an independent company and accounted at their fair value. No change in the assumptions was identified and therefore no revaluation was requested for the year ending 31 December 2020.

The fair value of the properties has been determined as per the IFRS 13 (fair value measurement), which defines fair value as the amount receivable for the sale of an asset or payable for the transfer of a financial liability in a current transaction between market participants, at the date of valuation.



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Subsequent costs of property, plant and equipment are recognized as an asset only if they are likely to result in future economic benefits for the Bank. When incurred, all maintenance and repair expenses are recognized as expenses.

The revaluation surplus has been recognized in the respective Revaluation Surplus Reserve. On the other hand, impairment losses have been recorded under the profit or loss account.

Depreciation of property, plant, and equipment is calculated using the straight-line basis to depreciate their cost to their residual value, based on the following depreciation rates reflecting the expected useful life of the assets:

	Number of years
Buildings	50
Computer equipment	4
Cars	4 - 5
Other assets	10

The residual values, useful lives and depreciation methods of assets shall be reviewed at the end of each financial year and prospectively adjusted, where appropriate. Where there is an indication that an asset may be impaired, the Bank estimates its recoverable value and recognizes an impairment loss where the net value exceeds the recoverable value of those assets.

The recoverable amount is determined by the greatest of its fair value less costs of sale and its use value, the latter being calculated on the basis of the present value of the estimated future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life.

Other tangible assets are derecognized when they are sold or when future economic benefits from their use or sale are no longer expected. The gains and losses generated in the derecognition of these assets are recognized in the profit or loss for the period.

2.1.7. Intangible assets



BANCO DE MOÇAMBIQUE
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Under this item, the Bank mainly records the costs of acquiring software when it is expected that the economic benefits will be passed on beyond the financial year in which the expenditure is incurred.

Intangible assets are amortized using the straight-line basis over the estimated useful life of the asset, which generally stands for three years.

The depreciation method, useful life and residual value of each item of intangible assets are revised at each reporting date.

2.1.8. Transactions with the Government

The Bank takes on its behalf several transactions on behalf of the government, including the opening and maintenance of accounts for sponsored projects. Transactions in which the Bank acts only as an agent and does not assume any risks and benefits, as well as the assets and liabilities arising from these transactions, are not reflected in the financial statements.

2.1.9. Costs of the production of banknotes and coins

The costs of producing banknotes and coins are recognized under Other Assets. At the time of issue, they are amortized against profit or loss for a period of 3 to 5 years, respectively, from the date of the respective issue.

2.1.10. Retirement pension obligations

As of 1 January 1993, the Bank has set up a separate pension fund to meet employee pension liabilities. This fund was set up upon the decision of the Board of the Directors. The pension fund is managed by Kuhanha - Sociedade Gestora do Fundo de Pensões, S.A.

The policy adopted by the Bank sets out to assume full responsibility for the payment of employee retirement pensions, including the allocation of benefits to widows, minor orphans and disabled employees.



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The existing pension plan corresponds to a defined benefit plan, since it defines the criteria for determining the amount of pension an employee will receive during retirement, usually dependent on one or more factors such as age, years of service and contribution.

The obligations of the Bank with retirement pensions shall be calculated annually, at the accounts closing date, by an independent actuary, based on the Projected Unit Credit Method. The discount rate used in this calculation is determined based on market rates associated with Mozambican treasury bonds.

Remeasuring gains and losses, including (i) actuarial gains and losses arising from differences between the actuarial assumptions used, and the amounts actually recorded (experience gains and losses) and changes in actuarial assumptions and (ii) gains and losses arising from the difference between the expected return on assets and the amounts obtained, are recognized against equity under Other Comprehensive Income.

Each year, the Bank recognizes, as a cost, the total net value of the following: (i) the cost of the current service; (ii) the cost of interest, less the expected return on the fund's assets; (iii) the effect of any early retirement, which includes the early amortization of associated actuarial gains and losses; and (iv) gains and losses resulting from changes in assumptions or changes in the conditions of benefits. The components listed above are recognized under "staff expenses".

2.1.11. Seniority Bonus

In accordance with the Collective Labor Agreement (CLT) for the Mozambican banking sector, the Bank has undertaken to award active employees who complete fifteen, twenty and thirty years of good and effective service a seniority bonus equal respectively to one, two and three months of their current monthly remuneration (in the year of assignment).

The Bank determines annually the present value of benefits with seniority bonuses through actuarial calculations. Actuarial assumptions (financial and demographic) are based on reporting-date expectations for salary growth and are based on mortality tables adapted to the Bank's population. The discount rate used in this calculation is determined based on market rates associated with Mozambican treasury bonds.



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2.1.12. Interest recognition

Income on interest on financial instruments measured at amortized cost and on financial assets at fair value through comprehensive income is recognized under interest and similar income items, using the effective interest rate method. Interest on financial assets at fair value through profit or loss is also included under interest and similar income. Interest on financial liabilities is recognized under interest and similar expenses

The effective interest rate is the rate that accurately discounts estimated future payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period, for the carrying amount of the financial asset or liability. The effective interest rate is established in the initial recognition of financial assets and liabilities and is not subsequently revised.

For the calculation of the effective interest rate, future cash flows are estimated considering all the contractual terms of the financial instrument, disregarding any future credit losses. The calculation includes commissions that are an integral part of the effective interest rate, transaction costs and all bonuses and discounts directly related to the transaction.

2.1.13. Recognition of income from services and commissions

Income from services and commissions is recognized as follows:

- Income from services and commissions obtained in the undertaking of a significant act is recognized when the significant act has been completed;
- Income from services and commissions earned as services are provided are recognized under profit or loss in the period to which they relate; and
- Income from services and commissions that form an integral part of the effective interest of a financial instrument is recorded under profit or loss using the effective interest rate method.

2.2. Derogations

Regarding the specifics of its activity as the regulator of the financial system and responsibility for implementing monetary and foreign exchange policies in the country, and managing international reserves, the Bank has decided not to adopt the following standards issued by the International



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Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor bodies:

- **IAS 21 – the effects of exchange rate changes:** Gains and losses stemming from unrealized foreign exchange differences as foreign currency claims and liabilities are recognized under a financial position account (special value fluctuation account), under Article 14 (2) of Law No. 1/92 of 3 January – Organic Law of the Banco de Moçambique, which states that “if, at the end of the financial year, the special value fluctuation account shows an outstanding balance, the State shall settle this balance by issuing public debt securities in favor of the Bank or any other manner proposed by the Board of Directors of the Bank”; and (3) of the same article, which states that “any credit balance in the special value fluctuation account at the end of each financial year shall be credited to an account held on behalf of the State, where the Bank shall pay interest at a rate to be determined by the Board of Directors”.
- **IFRS 9 - Financial Instruments:** with the exception of the methodology for the calculation of expected credit losses (impairments) provided for in paragraph 5.5, the Bank moved to classify its other financial assets, at the time of initial recognition, in accordance with the requirements introduced by IFRS 9 in the category of:
 - Financial assets measured at amortized cost;
 - Financial assets measured at fair value through comprehensive income; and
 - Financial assets measured at fair value.



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The impact of derogations from IAS 21 and IFRS 9 is presented in the following table:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Net profit/(loss) of the year with derogation	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Unrealized foreign exchange loss (IAS 21)	29.026.854	(10.149.295)	29.026.854	(10.149.295)
Financial instruments impairments (IFRS 9)	(1.126.578)	(465.043)	(1.126.578)	(465.043)
Net profit/(loss) of the year without derogation	26.383.961	(15.414.871)	26.529.111	(15.262.649)
Equity with derogation	1.699.892	2.306.783	1.739.852	2.248.285
Value exchange account	(9.234.760)	(38.261.614)	(9.234.760)	(38.261.614)
Financial instruments impairments (IFRS 9)	(9.172.866)	(8.046.288)	(9.172.866)	(8.046.288)
Equity without derogation	(16.707.734)	(44.001.119)	(16.667.774)	(44.059.617)

2.3. Scope of consolidation

The Bank upholds and applies the comprehensive consolidation method in its financial statements and those of the following subsidiaries:

			Assets		Liabilities		Equity	
	Share capital	% Participation	2020	2019	2020	2019	2020	2019
SIMO	1.265.510	51%	1.798.484	1.798.484	1.423.387	1.423.387	375.097	375.097
Kuhanha	15.000	100%	84.367	84.367	3.053	3.053	81.314	81.314

- Sociedade Interbancária de Moçambique, S.A., based in Mozambique, 51% owned, whose main objective is the management of electronic card and payment systems;
- Kuhanha - Sociedade Gestora do Fundo de Pensões of the Banco de Moçambique, S.A., based in Mozambique, 100% owned, whose primary objective is the management of the pension fund of the Banco de Moçambique.

Transactions, balances, revenues and expenses in operations between the group companies are eliminated. Profits and losses resulting from transactions between Group companies, recognized in assets, are also eliminated. Associates' accounting policies are changed as necessary to ensure consistency with Group policies.

When the Group ceases to have control of a subsidiary, the share's book value is revalued at fair value on the date of the sale. The carrying value is recognized under gains or losses.



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In the Bank's separate financial statements, subsidiaries are valued at historical cost and recognized as financial investments.

2.4. Changes in international standards and interpretations

2.4.1. The following rules and interpretations became effective as of 1 January 2020 and, where applicable, have been adopted by the Bank accordingly:

IAS 1 and IAS 8 (amendment) - Definition of materiality. This amendment introduces a change to the concept of materiality and clarifies that the mention of unclear information refers to situations whose effect is similar to the omission or distortion of such information, and the entity must assess materiality considering the financial statements as a whole. Clarification is also given to the meaning of 'key users of financial statements', these being defined as 'current and future investors, lenders and creditors' who rely on the financial statements for a significant part of the information they need. This amendment has no material impact on the Bank's financial statements.

Framework. As a result of the publication of the new conceptual framework, the IASB introduced changes in the text of several standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset/liability and expense/income, as well as some of the characteristics of financial information. These amendments are of retrospective application, unless this is impracticable. This amendment has no material impact on the Bank financial statements.

IFRS 3 (amendment) - Business definition. This amendment constitutes a revision to the definition of business for the purposes of recording business combinations. The new definition requires that an acquisition includes an input and a substantial process that jointly generate outputs. Outputs are now defined as goods and services that are provided to customers, that generate revenues, excluding returns in the form of cost savings, and other economic benefits to shareholders. Concentration tests are now permitted to determine whether a transaction is an acquisition of an asset or a business. This amendment has no material impact on the Bank's financial statements.



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IFRS 9 and IFRS 7 (amendment) - Reform of reference interest rates. These amendments are part of the first phase of the IASB's 'IBOR reform' project and allow exemptions related to the reform of the benchmark for benchmark interest rates. The exemptions relate to hedge accounting, in terms of: i) risk components; ii) the 'highly probable' requirement; iii) prospective valuation; and iv) recycling of the cash flow hedge reserve, and aim that the reform of the benchmark interest rates does not determine the cessation of hedge accounting. However, any hedge ineffectiveness found must continue to be recognized in the income statement. This amendment has no material impact on the Bank's financial statements.

2.4.2. Amendments to published standards, whose application is mandatory for annual periods beginning after 1 January 2020:

IFRS 16 Amendment to illustrative example 13 accompanying IFRS 16. It is intended to remove an inconsistency in the accounting treatment of incentives provided by the lessor to the lessee. This improvement is of prospective application. Effective date: Annual periods beginning on or after 1 June 2022. This change has no material impact on the Bank's financial statements.

IAS 41 Elimination of the requirement to exclude taxable cash flows from the fair value measurement of biological assets, ensuring its consistency with the principles of IFRS 3 - Fair Value. This improvement is of prospective application. Effective date: Annual periods beginning on or after June 1, 2022. This change has no material impact on the Bank's financial statements.

IAS 37 Onerous Contracts. The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify what 'costs to fulfill a contract' represent when assessing whether a contract is onerous. Some entities that apply the 'incremental cost' approach may have the value of their provisions increased, or new provisions recognized for onerous contracts as a result of the new definition. This change has no material impact on the Bank's financial statements.

IFRS 17 - Insurance Contracts. IFRS 17 replaces IFRS 4 - Insurance Contracts, the standard which has been in force on an interim basis since 2004. IFRS 17 is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. For fixed-fee service contracts, whose primary purpose is to provide services, entities have the option to account in accordance with IFRS 17 or IFRS 15. As with IFRS 4,



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financial guarantee contracts are permitted to be within the scope of IFRS 17 provided the entity has explicitly classified them as insurance contracts. Insurance contracts in which the entity is the policyholder are not within the scope of IFRS 17 (with the exception of reinsurance ceded). IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete model (building block approach) or a simplified model (premium allocation approach). The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application. This amendment has no material impact on the Bank's financial statements.

2.5. CHANGES IN POLICIES, ESTIMATES AND ERRORS

For the years ended 31 December 2020 and 31 December 2019, there were no changes in accounting policies that had an effect on the comparability of those years or, requiring additional disclosures.

NOTE 3 – USE OF ESTIMATES AND JUDGMENTS

Preparing financial statements requires the Board of Directors to make certain judgments and estimates based on historical experience and other factors considered relevant.

Estimates and associated judgments are reviewed on an ongoing basis. Revisions of accounting estimates shall be recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and in subsequent periods if the revision affects both the current and future periods.

The main estimates focus on the following areas:

Employee benefits

Liabilities for retirement and survivors' pensions and other post-employment or short-term benefits are estimated on the basis of assumptions and estimates, including the use of actuarial projections, estimated fund profitability and other factors that may impact on expenses and liabilities for pensions and other post-employment benefits.



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The Board of Directors considers that the estimates and judgments made are appropriate and that the financial statements present the Bank's financial position, financial performance and cash flows, in all material respects, in a true and appropriate manner.

Impairment

As of 1 January 2018, the Bank has not fully adopted IFRS, i.e., a partial adoption, as referred to in point 2.2. However, impairment losses are recognized in the Bank's financial position, when there is objective evidence of a loss event affecting the estimated future cash flow of the financial asset and such loss can be estimated with reasonable confidence.

Periodically, the Bank analyzes the balance of tangible assets to check for indications of impairment in order to determine the need to recognize impairment losses or not.

The tangible assets of the Bank are measured at amortized cost, less accumulated depreciation. The cost of acquisition includes expenses that are directly attributable to the procurement of the goods.

The Board of Directors considers that the estimates and judgments made are appropriate and that the financial statements adequately present the Bank's financial position and the result of its operations in all materially relevant aspects.



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NOTE 4 – FINANCIAL RISK MANAGEMENT

The Banco de Moçambique is exposed to a number of financial risks, including: market risk, which includes foreign exchange and interest rate risks, liquidity risk, credit risk and operational risk.

Risk management focuses on the unpredictability of financial markets and seeks to minimize the adverse effects of such unpredictability on the Bank's financial performance and capital.

Financial risk management related to the management of international reserves is undertaken by the Risk Management Department under the supervision of the International Reserves Management Committee and the Board of Directors. This department is responsible for identifying, valuing and hedging financial risks, following the guidelines laid down by the Board of Directors.

4.1. Strategy for using financial instruments

In light of its nature, the activities of the Bank are mainly focused on managing international reserves, as per the powers conferred by Law No. 1/92 of 3 January, Organic Law of the Banco de Moçambique. In accordance with the International Reserves Management Policy, the Bank manages international reserves in order to meet the following needs:

- Ensuring that the country is able to absorb shocks from the Balance of Payments;
- Maintaining the confidence of economic actors in the country's monetary and exchange rate policies; and
- Protecting the national economy in the event of disasters or external shocks.

The international reserves portfolio may consist of the following financial assets:

- Precious metals;
- Special Drawing Rights;
- Marketable currencies in the international financial market; and
- Other assets in assured convertible currency.

In the management of international reserves, the Bank shall ensure the observance of good practices relating to Prudential and operational principles as regards the choice of portfolio



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structure, composition of the portfolio by currency, maturity, benchmarks to be taken into account, instruments to be traded, markets where to apply its assets and external partners to be contracted.

The Board of Directors approves: (i) the sources and use of reserves; (ii) the composition of the global portfolio and the criteria for its division into tranches; (iii) the average maturity of the global portfolio (duration); (iv) the eligible financial instruments; (v) the minimum credit quality of financial products and counterparties; and (vi) the decision-making and responsibility levels for reserve management.

The Bank subdivides its global international reserves portfolio into three tranches, defined on the basis of the reasons justifying the maintenance of international reserves and their potential demand, namely:

- **Working capital tranche** - intended to meet estimated monthly liquidity needs for current transactions and potential foreign exchange market interventions;
- **Liquidity tranche** - intended to meet the estimated liquidity needs for covering 1 to 3 months of imports of goods and services and of the government debt service budgeted for the year concerned (maturity up to 1 year); and
- **Investment tranche** - intended to meet medium and long-term needs and contingencies in times of crisis, consists of any excess of reserves on working capital and liquidity tranches as a whole.

The working capital tranche sets out to preserve the value of the capital, i.e., the security of the invested value. Asset investments shall be carried out in such a way as to ensure the integrity of the capital allocated to each portfolio within the established investment horizon. In this sense, the financial assets in the working capital tranche were classified as financial assets at amortized cost.

The purpose of the liquidity tranche is to make the funds available to meet liquidity needs. Investment management should be carried out so as to ensure an adequate level of funds to fulfill obligations, as they mature. In order to maintain sufficient liquidity, the majority of reserve assets



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should be invested in assets with a strong secondary market. In this sense, financial assets in the liquidity tranche were classified as financial assets at fair value through comprehensive income.

The objective of the investment tranche is to maximize returns on capital, subject to capital preservation and liquidity constraints. Reserve assets are invested with the aim of achieving a competitive rate of return while respecting prudential levels of risk. In this sense, the financial assets in the investment tranche were classified as financial assets at fair value.

The Bank manages a part of the portfolio internally and hires external managers to manage its reserves, taking into account the ratings of the managers and legal regulations in force. A benchmark is defined for the management of the global international reserves portfolio, as is a specific benchmark for the internally managed portfolio and for each portfolio under external management. Limits are set for deviations from the benchmark. The Bank receives a monthly report from the custodian, with the violations of the rules set for external managers. Regarding the internally managed portfolio, a daily comparison between the portfolio and the benchmarks is carried out by the department responsible for the management of international reserves. A balance of the portfolio is carried out monthly.

Notwithstanding the matter of the Bank taking as reference the data in the reports received by the custodian, the Bank ensures that the recognized fair value of the securities is determined in accordance with Note 24 – fair value.

In the context of the Bank's strategy for using financial instruments, the following table shows the Bank's various financial assets and liabilities as of 31 December 2020, broken down by different categories according to IFRS 9 - Financial Instruments: recognition and measurement.

The following tables show the Bank's various financial assets and liabilities as of 31 December 2020, broken down by the different categories of IFRS 9 - Financial Instruments: recognition and measurement.



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31-12-2020	Financial assets at fair value through profit or loss	Credits and receivables	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Foreign currency	-	2.856.885	-	-	-	2.856.885
Deposit with other financial institutions	-	8.450.327	-	-	-	8.450.327
Fair value through profit or loss	37.648.336	-	-	-	-	37.648.336
Fair value through other comprehensive income	-	-	-	235.139.298	-	235.139.298
Treasury bills	-	-	161.453.738	-	-	161.453.738
Other financial assets	-	64.412.017	-	-	-	64.412.017
Total financial assets	37.648.336	75.719.229	161.453.738	235.139.298	-	509.960.601
Financial liabilities						
Banknotes and coins in circulation	-	-	-	-	68.673.677	68.673.677
Deposits from other institutions	-	-	-	-	187.857.429	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	-	-	-	-	306.026.766	306.026.766
Foreign loans	-	-	-	-	17.868.780	17.868.780
Other liabilities	-	-	-	-	1.133.656	1.133.656
Total financial liabilities	-	-	-	-	581.560.308	581.560.308



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31-12-2019	Financial assets at fair value through profit or loss	Credits and receivables	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Foreign currency	-	1.901.584	-	-	-	1.901.584
Deposit with other financial institutions	-	2.163.157	-	-	-	2.163.157
Fair value through profit or loss	24.238.208	-	-	-	-	24.238.208
Fair value through other comprehensive income	-	-	-	196.402.469	-	196.402.469
Treasury bills	-	-	82.189.391	-	-	82.189.391
Other financial assets	-	58.213.228	-	-	-	58.213.228
Total financial assets	24.238.208	62.277.969	82.189.391	196.402.469	-	365.108.037
Financial liabilities						
Banknotes and coins in circulation	-	-	-	-	59.534.702	59.534.702
Deposits from other institutions	-	-	-	-	165.380.987	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	-	(10.149.295)	-	-	212.089.239	212.089.239
Foreign loans	-	-	-	-	16.611.374	16.611.374
Other liabilities	-	(15.414.871)	-	-	1.962.379	1.962.379
Total financial liabilities	-	-	-	-	455.578.681	455.578.681



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The following tables show the Bank's various financial assets and liabilities as of 31 December 2020, broken down into various IFRS 9 categories - Financial Instruments: recognition and measurement.

31-12-2020	Financial assets at fair value through profit or loss	Credits and receivables	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Foreign currency	-	2.856.885	-	-	-	2.856.885
Deposit with other financial institutions	-	9.290.882	-	-	-	9.290.882
Fair value through profit or loss	37.648.336	-	-	-	-	37.648.336
Fair value through other comprehensive income	-	-	-	235.139.298	-	235.139.298
Treasury bills	-	-	161.530.589	-	-	161.530.589
Other financial assets	-	63.784.088	-	-	-	63.784.088
Total financial assets	37.648.336	75.931.855	161.530.589	235.139.298	-	510.250.078
Financial liabilities						
Banknotes and coins in circulation	-	-	-	-	68.673.677	68.673.677
Deposits from other institutions	-	-	-	-	187.857.429	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	-	-	-	-	306.026.766	306.026.766
Foreign loans	-	-	-	-	17.868.780	17.868.780
Other liabilities	-	-	-	-	1.616.024	1.616.024
Total financial liabilities	-	-	-	-	582.042.676	582.042.676



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31-12-2019	Financial assets at fair value through profit or loss	Credits and receivables	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other financial liabilities	Total
Financial assets						
Foreign currency	-	1.901.584	-	-	-	1.901.584
Deposit with other financial institutions	-	2.825.070	-	-	-	2.825.070
Fair value through profit or loss	24.238.208	-	-	-	-	24.238.208
Fair value through other comprehensive income	-	-	-	196.402.469	-	196.402.469
Treasury bills	-	-	82.267.917	-	-	82.267.917
Other financial assets	-	57.600.282	-	-	-	57.600.281
Total financial assets	24.238.208	62.326.935	82.267.917	196.402.469	-	365.235.530
Financial liabilities						
Banknotes and coins in circulation	-	-	-	-	59.534.702	59.534.702
Deposits from other institutions	-	-	-	-	165.380.987	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	-	-	-	-	212.089.239	212.089.239
Foreign loans	-	-	-	-	16.611.374	16.611.374
Other liabilities	-	-	-	-	2.380.971	2.380.971
Total financial liabilities	-	-	-	-	455.997.273	455.997.273



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4.2. Credit risk

4.2.1. Risk control and mitigation policies

The Bank assumes a certain level of exposure in its business to credit risk, i.e., to the risk of actual default by the counterparty. The Board carefully regulates the Bank's exposure to credit risk and country risk by establishing: (i) the minimum credit ratings for each type of eligible instrument, (ii) the maximum terms per rating for term deposits, (iii) the concentration limits per rating of counterparties, (iv) the concentration limits per country and (v) the risk limits per issuer. These risks are reviewed annually.

The Markets and Reserves Management Department verifies compliance with the limits on a daily basis. For the management and investments of international reserves, the Board shall also define the external entities empowered to provide these services.

The financial assets that potentially expose the Bank to credit concentration risk consist mainly of cash and cash equivalents and investments in other credit institutions, bonds, and other fixed-income securities.

4.2.2. Maximum exposure to credit risk

The maximum exposure to credit risk as of 31 December 2020 was as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Deposit with other financial institutions	8.450.327	2.163.157	9.290.882	2.825.070
Financial assets at fair value through profit or loss	37.648.336	24.238.208	37.648.336	24.238.208
Financial assets at fair value through other comprehensive income	235.139.298	196.402.469	235.139.298	196.402.469
Financial assets at amortized cost	161.453.738	82.189.391	161.530.589	82.267.917
Other financial assets	64.412.017	58.213.228	63.784.088	57.600.281
Total at 31 December	507.103.716	363.206.453	507.393.194	363.333.945



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4.2.3. Quality of financial assets

The following table provides a summary of the Bank's credit quality of financial assets as of 31 December 2020:

31.12.2020

	Deposit with other financial institutions	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Total
AAA	362.183	21.456.891	42.012.910	-	-	63.831.983
AA - to AA+	4.578.494	11.147.889	95.000.796	-	-	110.727.179
A- to A+	111.152	4.856.404	91.892.807	-	-	96.860.364
Below A -	3.398.485	185.005	4.295.476	-	-	7.878.967
Unrated	12	2.147	1.937.309	161.453.738	64.412.017	227.805.223
Total	8.450.327	37.648.336	235.139.298	161.453.738	64.412.017	507.103.716

31.12.2019

	Deposit with other financial institutions	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Total
AAA	138.248	6.572.530	17.076.342	-	-	23.787.120
AA - to AA+	1.219.507	8.830.975	64.407.956	-	-	74.458.438
A- to A+	693.029	138.704	108.951.574	-	-	109.783.307
Below A -	112.364	8.695.999	4.374.276	-	-	13.182.639
Unrated	9	-	1.592.321	82.189.391	58.213.228	141.994.950
Total	2.163.157	24.238.208	196.402.469	82.189.391	58.213.228	363.206.453

The following table provides a Group summary of the credit quality of financial assets as of 31 December 2020:

31.12.2020

	Deposit with other financial institutions	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Total
AAA	362.183	21.456.891	42.012.910	-	-	63.831.983
AA - to AA+	4.578.494	11.147.889	95.000.796	-	-	110.727.179
A- to A+	111.152	4.856.404	91.892.807	-	-	96.860.364
Below A -	3.398.485	185.005	4.295.476	-	-	7.878.967
Unrated	840.567	2.147	1.937.309	161.530.589	63.784.088	228.094.700
Total	9.290.882	37.648.336	235.139.298	161.530.589	63.784.088	507.393.194



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	Deposit with other financial institutions	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Other financial liabilities	Total
AAA	138.248	6.572.530	17.076.342	-	-	23.787.120
AA - to AA+	1.219.507	8.830.975	64.407.956	-	-	74.458.438
A- to A+	693.029	138.704	108.951.574	-	-	109.783.307
Below A -	112.364	8.695.999	4.374.276	-	-	13.182.639
Unrated	661.922	-	1.592.321	82.267.917	57.600.282	142.122.442
Total	2.825.070	24.238.208	196.402.469	82.267.917	57.600.282	363.333.945

4.2.4. Impairment of financial assets

The Bank shall regularly assess whether there is objective evidence that a financial asset, or group of financial assets, shows signs of impairment.

For financial assets showing signs of impairment, their recoverable value shall be determined, with impairment losses recorded against profit or loss.

A financial asset or group of financial assets is impaired when there is objective evidence of a loss from one or more events that occurred after the initial recognition, such as (i) the securities listed, an extended or significant depreciation in its price, and (ii) unlisted equity investments, loans granted, and other financial assets measured at amortized cost when the event impacted the estimated future cash flows of the financial asset, or groups of financial assets that can be estimated reasonably.

If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed against the profit or loss for the financial year, until the replacement of the acquisition cost, if the increase is objectively related to an event that took place after the recognition of impairment loss, except when addressing shares or other capital instruments, where the subsequent added value is recognized under reserves.

In the case of impairment of assets measured at amortized cost, the loss corresponding to the difference between the carrying amount and the recoverable amount is recognized under profit or loss for the period. Recoverable value is determined as the value of expected future cash flows discounted at the original effective rate of the asset.



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4.3. Liquidity risk

Liquidity risk is the risk that an institution does not have the necessary funds to meet its payment obligations at all times.

The Board sets concentration limits by maturity dates, which are revised annually. The Markets and Reserves Management Department verifies compliance with the limits on a daily basis.

As referred to in note - 4.1. "Strategy for using financial instruments" means the Bank subdivides its global portfolio of international reserves into three tranches: working capital tranche, liquidity tranche and investment tranche, according to the reasons justifying the maintenance of international reserves and their potential demand.

Minimum and maximum limits are set for the working capital and liquidity tranches.

Liquidity risk management shall be developed on the basis of cash flow projections and by checking compliance with limits.

The average maturity of all the assets in the portfolio, weighted by their market value (duration) of the international reserves portfolio, may not, on average, exceed 1 year.

As of 31 December 2020, the liquidity tranche presents a concentration of investments in institutions rated AAA, AA -, AA+, A - and A+.

The following tables analyze the Bank's financial assets and liabilities and gold(separate) by maturity, the amounts being composed of the value of financial assets and liabilities taking into account the date on which payment, receipt, or maturity of the transactions will take place.



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	MZN	USD	EUR	GBP	ZAR	SDR	CNY	Others	Total
Financial assets and Gold									
Foreign currency	-	954.001	1.825.957	467	76.414	-	-	46	2.856.885
Cash and claims in credit institutions	-	6.156.816	1.079.157	264.851	35.234	443.783	66.699	403.786	8.450.327
Gold	-	-	-	-	-	-	-	17.958.167	17.958.167
Financial assets held-for-trading	93.458	37.552.731	2.147	-	-	-	-	-	37.648.336
Financial assets available-for-sale	0	178.064.896	(0)	2.960.195	28.112.034	-	26.002.173	-	235.139.298
Financial assets at amortized cost	161.453.738	-	-	-	-	-	-	-	161.453.738
Other financial assets	(113.979.946)	43.131.645	103.172.249	19.085	23.146.351	4.091.522	-	4.831.112	64.412.017
Total	47.567.250	265.860.089	106.079.510	3.244.598	51.370.033	4.535.305	26.068.872	23.193.112	527.918.768
Financial liabilities									
Banknotes and coins in circulation	68.673.716	(1)	0	-	(38)	-	-	-	68.673.677
Deposits from other credit institutions	111.416.572	71.457.634	3.839.115	1.470	542.088	-	-	600.549	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	306.027.588	(1.179)	-	-	-	356	-	-	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	-	17.868.780
Other liabilities	803.840	440.757	(22.537)	3.789	35.973	(118.927)	-	(9.240)	1.133.656
Total	486.921.716	71.897.212	3.816.578	5.259	578.023	17.750.209	-	591.309	581.560.308
Overall operating position	(439.354.466)	193.962.878	102.262.932	3.239.339	50.792.010	(13.214.904)	26.068.872	22.601.802	(53.641.540)



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At 31 December 2019

	MZN	USD	EUR	GBP	ZAR	SDR	CNY	Others	Total
Financial assets and Gold									
Foreign currency	-	472.062	1.378.774	369	50.342	-	-	36	1.901.584
Cash and claims in credit institutions	-	101.947	496.067	102.729	80.823	370.713	30.800	980.077	2.163.157
Gold	-	(10.149.295)	-	-	-	-	-	11.848.561	11.848.561
Financial assets at fair value through profit or loss	69.827	24.166.774	1.607	-	-	-	-	-	24.238.208
Financial assets at fair value through other comprehensive income	2.084	(15.414.871)	(0)	2.329.767	23.864.207	-	19.183.605	-	196.402.469
Financial investment	-	-	-	-	-	-	-	-	-
Other financial assets	43.746.284	623.286	1.063.403	(547.692)	98.049	62.589	-	13.167.310	58.213.228
Total	126.007.585	176.386.875	2.939.851	1.885.174	24.093.422	433.302	19.214.405	25.995.985	376.956.598
Financial liabilities									
Banknotes and coins in circulation	59.508.299	(1)	26.330	-	74	-	-	-	59.534.702
Deposits from other credit institutions	3.935.228	3.935.228	2.844.490	173	209.095	-	-	692.551	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	212.090.062	(1.179)	-	-	-	356	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	-	16.611.374
Other liabilities	435.092	1.565.354	25.838	3.420	60.838	(118.927)	-	(9.236)	1.962.379
Total	385.050.321	50.181.984	2.896.658	3.593	270.006	16.492.803	-	683.315	455.578.681
Overall operating position	(259.042.736)	126.204.890	43.194	1.881.581	23.823.416	(16.059.502)	19.214.405	25.312.670	(78.622.083)



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The following tables analyze the Group's financial assets and liabilities and gold.

At 31 December 2020

	MZN	USD	EUR	GBP	ZAR	SDR	CNY	Others	Total
Financial assets and Gold									
Foreign currency	-	954.001	1.825.957	467	76.414	-	-	46	2.856.885
Cash and claims in credit institutions	840.555	6.156.816	1.079.157	264.851	35.234	443.783	66.699	403.786	9.290.882
Gold	-	-	-	-	-	-	-	17.958.167	17.958.167
Financial assets at fair value through profit or loss	93.458	37.552.731	2.147	-	-	-	-	-	37.648.336
Financial assets at fair value through other comprehensive income	0	178.064.896	(0)	2.960.195	28.112.034	-	26.002.173	-	235.139.298
Financial assets at amortized cost	161.530.589	-	-	-	-	-	-	-	161.530.589
Other financial assets	(114.607.875)	43.131.645	103.172.249	19.085	23.146.351	4.091.522	-	4.831.112	63.784.088
Total	47.856.727	265.860.089	106.079.510	3.244.598	51.370.033	4.535.305	26.068.872	23.193.112	528.208.245
Financial liabilities									
Banknotes and coins in circulation	68.673.716	(1)	0	-	(38)	-	-	-	68.673.677
Deposits from other credit institutions	111.416.572	71.457.634	3.839.115	1.470	542.088	-	-	600.549	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	306.027.588	(1.179)	-	-	-	356	-	-	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	-	17.868.780
Other liabilities	1.286.209	440.757	(22.537)	3.789	35.973	(118.927)	-	(9.240)	1.616.024
Total	487.404.085	71.897.212	3.816.578	5.259	578.023	17.750.209	-	591.309	582.042.675
Overall operating position	(439.547.358)	193.962.878	102.262.932	3.239.339	50.792.010	(13.214.904)	26.068.872	22.601.802	(53.834.430)



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At 31 December 2019

	MZN	USD	EUR	GBP	ZAR	SDR	CNY	Others	Total
Financial assets and Gold									
Foreign currency	-	472.062	1.378.774	369	50.342	-	-	36	1.901.584
Cash and claims in credit institutions	661.913	101.947	496.067	102.729	80.823	370.713	30.800	980.077	2.825.070
Gold	-	-	-	-	-	-	-	11.848.561	11.848.561
Financial assets at fair value through profit or loss	69.827	24.166.774	1.607	-	-	-	-	-	24.238.208
Financial assets at fair value through other comprehensive income	2.084	151.022.805	(0)	2.329.767	23.864.207	-	19.183.605	-	196.402.469
Financial assets at amortized cost	82.267.917	-	-	-	-	-	-	-	82.267.917
Other financial assets	43.133.337	623.286	1.063.403	(547.692)	98.049	62.589	-	13.167.310	57.600.282
Total	126.135.077	176.386.875	2.939.851	1.885.174	24.093.422	433.302	19.214.405	25.995.985	377.084.089
Financial liabilities									
Banknotes and coins in circulation	59.508.299	(1)	26.330	-	74	-	-	-	59.534.702
Deposits from other credit institutions	113.016.868	48.617.811	2.844.490	173	209.095	-	-	692.551	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	212.090.062	(1.179)	-	-	-	356	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	-	16.611.374
Other liabilities	853.685	1.565.354	25.838	3.420	60.838	(118.927)	-	(9.236)	2.380.971
Total	385.468.914	50.181.984	2.896.658	3.593	270.006	16.492.803	-	683.315	455.997.273
Overall operating position	(259.333.837)	126.204.890	43.194	1.881.581	23.823.416	(16.059.502)	19.214.405	25.312.670	(78.913.184)



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4.4. Market risk

Market risk corresponds to the prospects of negative impact on income or capital due to unfavorable movements in the market price of the financial instruments held by the Bank, such as the risk of fluctuations in interest and exchange rates.

The Bank assumes exposure to market risks, i.e., risks arising from open positions in interest rates, foreign currency and other products exposed to market movements.

Market risk consists of interest rate risk, foreign exchange risk and price risk.

4.4.1. Interest rate risk

Interest rate risk is the risk of fluctuation to which the cash flows of a financial instrument are subject due to changes in market interest rates.

Investments in credit institutions, bonds and other fixed income securities and financial liabilities are subject to interest rate risk.

The following tables summarize the Bank's (separate) exposure to interest rate risk.



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At 31 December 2020

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets								
Foreign currency	-	-	-	-	-	-	2.856.885	2.856.885
Deposit with other financial institutions	-	-	-	-	-	-	8.450.327	8.450.327
Financial assets at fair value through profit or loss	859.123	1.280.657	5.099.654	28.049.505	2.172.245	-	187.152	37.648.336
Financial assets at fair value through other comprehensive income	99.103.100	96.678.878	12.357.265	21.367.340	5.632.714	-	-	235.139.298
Financial assets at amortized cost	123.818.086	9.809.595	27.651.811	-	-	-	174.245	161.453.738
Other financial assets	-	-	-	-	-	-	64.412.017	64.412.017
Total financial assets	223.780.309	107.769.131	45.108.730	49.416.845	7.804.959	-	76.080.626	509.960.600
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	68.673.677	68.673.677
Deposits from other credit institutions	187.857.429	-	-	-	-	-	-	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	239.738.009	23.147.755	42.841.755	-	-	125.001	174.245	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	17.868.780
Other liabilities	-	-	-	-	-	-	1.133.656	1.133.656
Total financial liabilities	427.595.438	23.147.755	42.841.755	-	-	17.993.781	69.981.578	581.560.308
Net position	(203.815.129)	84.621.375	2.266.974	49.416.845	7.804.959	(17.993.781)	6.099.048	(71.599.709)



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At 31 December 2019

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets								
Foreign currency	-	-	-	-	-	-	1.901.584	1.901.584
Deposit with other financial institutions	-	-	-	-	-	-	2.163.157	2.163.157
Financial assets held-for-trading	216.439	688.722	3.063.076	18.370.368	1.759.288	-	140.316	24.238.208
Financial assets available-for-sale	138.200.811	28.836.386	6.186.121	21.890.913	1.286.154	-	2.084	196.402.469
Financial investment	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	58.213.228	58.213.228
Total financial assets	202.431.409	33.527.747	18.921.790	40.261.280	3.045.442	-	66.920.369	365.108.037
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	59.534.702	59.534.702
Deposits from other credit institutions	165.380.987	-	-	-	-	-	-	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	42.604.645	58.657.676	110.826.918	-	-	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	16.611.374
Other liabilities	-	-	-	-	-	-	1.962.379	1.962.379
Total financial liabilities	207.985.632	58.657.676	110.826.918	-	-	16.611.374	61.497.081	455.578.682
Net position	(5.554.223)	(25.129.929)	(91.905.128)	40.261.280	3.045.442	(16.611.374)	5.423.288	(90.470.645)



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The following tables summarize the Bank's exposure to interest rate risk.

At 31 December 2020

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets								
Foreign currency	-	-	-	-	-	-	2.856.885	2.856.885
Deposit with other financial institutions	-	-	-	-	-	-	9.290.882	9.290.882
Financial assets at fair value through profit or loss	859.123	1.280.657	5.099.654	28.049.505	2.172.245	-	187.152	37.648.336
Financial assets at fair value through other comprehensive income	99.103.100	96.678.878	12.357.265	21.367.340	5.632.714	-	-	235.139.298
Financial assets at amortized cost	123.818.086	9.809.595	27.728.662	-	-	-	174.245	161.530.589
Other financial assets	-	-	-	-	-	-	63.784.088	63.784.088
Total financial assets	223.780.309	107.769.131	45.185.581	49.416.845	7.804.959	-	76.293.252	510.250.077
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	68.673.677	68.673.677
Deposits from other credit institutions	187.857.429	-	-	-	-	-	-	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	239.738.009	23.147.755	42.841.755	-	-	125.001	174.245	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	17.868.780
Other liabilities	-	-	-	-	-	-	1.616.024	1.616.024
Total financial liabilities	427.595.438	23.147.755	42.841.755	-	-	17.993.781	70.463.946	582.042.676
Net position	(203.815.129)	84.621.375	2.343.825	49.416.845	7.804.959	(17.993.781)	5.829.306	(71.792.600)



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At 31 December 2019

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial Assets								
Foreign currency	-	-	-	-	-	-	1.901.584	1.901.584
Deposit with other financial institutions	-	-	-	-	-	-	2.825.070	2.825.070
Financial assets at fair value through profit or loss	216.439	688.722	3.063.076	18.370.368	1.759.288	-	140.316	24.238.208
Financial assets at fair value through other comprehensive income	138.200.811	28.836.386	6.186.121	21.890.913	1.286.154	-	2.084	196.402.469
Financial assets at amortized cost	64.014.159	4.002.639	9.751.119	-	-	-	4.500.000	82.267.917
Other financial assets	-	-	-	-	-	-	57.600.282	57.600.281
Total financial assets	202.431.409	33.527.747	19.000.315	40.261.280	3.045.442	-	66.969.335	365.235.528
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	59.534.702	59.534.702
Deposits from other credit institutions	165.380.987	-	-	-	-	-	-	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	42.604.645	58.657.676	110.826.918	-	-	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	16.611.374
Other liabilities	-	-	-	-	-	-	2.380.971	2.380.971
Total financial liabilities	207.985.632	58.657.676	110.826.918	-	-	16.611.374	61.915.673	455.997.274
Net position	(5.554.223)	(25.129.929)	(91.826.603)	40.261.280	3.045.442	(16.611.374)	5.053.662	(90.761.746)



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The Bank manages interest rate risk by establishing benchmarks for externally and internally managed portfolios, including a definition of duration for each tranche of the international reserves portfolio.

For external managers, the Bank also established instrument exposure and duration deviation limits on the benchmark, as well as stop loss limits regarding the benchmark.

As of 31 December 2020, the effect on the Bank's profit or loss and equity resulting from a +/- 25 basis point change in the interest rate is 194,247 thousand meticaís (2019: 239,735 thousand meticaís) and 1,084,700 thousand meticaís (2019: 745,469 thousand meticaís), respectively.

4.4.2. Foreign exchange risk

Foreign exchange risk arises from transactions in assets and liabilities denominated in foreign currency. Cash and cash equivalents, investments and resources of credit institutions, gold, securities, external financing and other foreign currency balances expose the Bank to foreign exchange risk, even if ultimately the risk falls under the State, as explained in the following paragraph. The Bank manages this risk by limiting the currency composition of the international reserves portfolio. The Board shall approve the limits of exposure to foreign exchange risk.

As a result of the provisions of Article 14 of the Organic Law, gains and losses arising from the foreign exchange revaluation of active and passive positions in foreign currency shall fall under a value fluctuation account, under asset or liability, as per the case.



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As of 31 December 2020, the Bank's financial and gold assets and liabilities, denominated in national and foreign currencies, are presented as follows:

At 31 December 2020

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets and gold								
Foreign currency	-	-	-	-	-	-	2.856.885	2.856.885
Deposit with other financial institutions	-	-	-	-	-	-	8.450.327	8.450.327
Gold	-	-	-	-	-	-	17.958.167	17.958.167
loss	859.123	1.280.657	5.099.654	28.049.505	2.172.245	-	187.152	37.648.336
Financial assets at fair value through other comprehensive income	99.103.100	96.678.878	12.357.265	21.367.340	5.632.714	-	-	235.139.298
Financial assets at amortized cost	123.818.086	9.809.595	27.651.811	-	-	-	174.245	161.453.738
Other financial assets	-	-	-	-	-	-	64.412.017	64.412.017
Total financial assets and gold	223.780.309	107.769.131	45.108.730	49.416.845	7.804.959	-	94.038.793	527.918.767
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	68.673.677	68.673.677
Deposits from other institutions	187.857.429	-	-	-	-	-	-	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	239.738.009	23.147.755	42.841.755	-	-	125.001	174.245	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	17.868.780
Other liabilities	-	-	-	-	-	-	1.133.656	1.133.656
Total financial liabilities	427.595.438	23.147.755	42.841.755	-	-	17.993.781	69.981.578	581.560.307
Net position	(203.815.129)	84.621.375	2.266.974	49.416.845	7.804.959	(17.993.781)	24.057.215	(53.641.539)



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	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets and gold								
Foreign currency	-	-	-	-	-	-	1.901.584	1.901.584
Deposit with other financial institutions	-	-	-	-	-	-	2.163.157	2.163.157
Gold	-	-	-	-	-	-	11.848.561	11.848.561
loss	216.439	688.722	3.063.076	18.370.368	1.759.288	-	140.316	24.238.208
Financial assets at fair value through other comprehensive income	138.200.811	28.836.386	6.186.121	21.890.913	1.286.154	-	2.084	196.402.469
Activos financeiros ao custo amortizado	64.014.159	4.002.639	9.672.593	-	-	-	4.500.000	82.189.391
Other financial assets	-	-	-	-	-	-	58.213.228	58.213.228
Total financial assets and gold	202.431.409	33.527.747	18.921.790	40.261.280	3.045.442	-	78.768.930	376.956.598
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	59.534.702	59.534.702
Deposits from other institutions	165.380.987	-	-	-	-	-	-	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	42.604.645	58.657.676	110.826.918	-	-	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	16.611.374
Other liabilities	-	-	-	-	-	-	1.962.379	1.962.379
Total financial liabilities	207.985.632	58.657.676	110.826.918	-	-	16.611.374	61.497.081	455.578.680
Net position	(5.554.223)	(25.129.930)	(91.905.128)	40.261.280	3.045.442	(16.611.374)	17.271.849	(78.622.082)



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The following tables summarize the Group's financial assets and liabilities and gold denominated in national and foreign currency and are presented as follows:

At 31 December 2020

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets and gold								
Foreign currency	-	-	-	-	-	-	2.856.885	2.856.885
Deposit with other financial institutions	838.923	-	-	-	-	-	8.451.959	9.290.882
Gold	-	-	-	-	-	-	17.958.167	17.958.167
Financial assets at fair value through profit or loss	859.123	1.280.657	5.099.654	28.049.505	2.172.245	-	187.152	37.648.336
Financial assets at fair value through other comprehensive income	99.103.100	96.678.878	12.357.265	21.367.340	5.632.714	-	-	235.139.298
Financial assets at amortized cost	123.818.086	9.809.595	27.728.662	-	-	-	174.245	161.530.589
Other financial assets	-	-	-	-	-	-	63.784.088	63.784.088
Total financial assets and gold	224.619.231	107.769.131	45.185.581	49.416.845	7.804.959	-	93.412.496	528.208.244
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	68.673.677	68.673.677
Deposits from other institutions	187.857.429	-	-	-	-	-	-	187.857.429
Treasury bills issued on behalf of the State and other monetary instruments	239.738.009	23.147.755	42.841.755	-	-	125.001	174.245	306.026.766
Foreign loans	-	-	-	-	-	17.868.780	-	17.868.780
Other liabilities	-	-	-	-	-	-	1.616.024	1.616.024
Total financial liabilities	427.595.438	23.147.755	42.841.755	-	-	17.993.781	70.463.946	582.042.675
Net position	(202.976.207)	84.621.375	2.343.826	49.416.845	7.804.959	(17.993.781)	22.948.550	(53.834.431)



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At 31 December 2019

	1 month	1 to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Without a fixed term	Total
Financial assets and gold								
Foreign currency	-	-	-	-	-	-	1.901.584	1.901.584
Deposit with other financial institutions	659.852	-	-	-	-	-	2.165.218	2.825.070
Gold	-	-	-	-	-	-	11.848.561	11.848.561
loss	216.439	688.722	3.063.076	18.370.368	1.759.288	-	140.316	24.238.208
Financial assets at fair value through other comprehensive income	138.200.811	28.836.386	6.186.121	21.890.913	1.286.154	-	2.084	196.402.469
Financial assets at amortized cost	64.014.159	4.002.639	9.751.119	-	-	-	4.500.000	82.267.916
Other financial assets	-	-	-	-	-	-	57.600.282	57.600.282
Total financial assets and gold	203.091.260	33.527.747	19.000.316	40.261.280	3.045.442	-	78.158.044	377.084.089
Financial liabilities								
Banknotes and coins in circulation	-	-	-	-	-	-	59.534.702	59.534.702
Deposits from other institutions	165.380.987	-	-	-	-	-	-	165.380.987
Treasury bills issued on behalf of the State and other monetary instruments	42.604.645	58.657.676	110.826.918	-	-	-	-	212.089.239
Foreign loans	-	-	-	-	-	16.611.374	-	16.611.374
Other liabilities	-	-	-	-	-	-	2.380.971	2.380.971
Total financial liabilities	207.985.632	58.657.676	110.826.918	-	-	16.611.374	61.915.673	455.997.273
Net position	(4.894.372)	(25.129.930)	(91.826.602)	40.261.280	3.045.442	(16.611.374)	16.242.371	(78.913.183)



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As of 31 December 2020, the effect on profits or losses and equity of the Bank in the face of an appreciation or depreciation of the Metical by about 10% versus the total in foreign currency is 9,369 thousand meticaís (2019: 8,462,592 thousand meticaís) and 13,641,912 thousand meticaís (2019: and 7,048,206 thousand meticaís), respectively.

4.5. Operational risk

Operational risk can be defined as the possibility of losses arising from the malfunction of computer systems, conveyance systems and the inadequacy or failures of internal processes, people or as a result of exogenous events. For the prevention and control of operational risk, the Bank has implemented several internal control systems. Compliance with internal regulations and procedures is guaranteed by the Internal Audit Department, which is responsible for ensuring the regularity of their observance. However, the departments separately ensure compliance with the established regulations regarding the operations under their purview.

NOTE 5 – FOREIGN CURRENCY

This item is broken down as follows:

Currency	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
CAD	40	31	40	31
CHF	6	5	6	5
EUR	1.825.957	1.378.774	1.825.957	1.378.774
GBP	467	369	467	369
USD	954.001	472.062	954.001	472.062
ZAR	76.414	50.342	76.414	50.342
	2.856.885	1.901.584	2.856.885	1.901.584



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NOTE 6 – DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS

As to their nature, cash and cash equivalents and investments on credit institutions are analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Cash in credit institutions				
Demand deposits	8.450.327	2.163.157 #	8.705.882	2.430.070
Advances to credit institutions				
Term deposit	-	-	585.000	395.000
Interest receivable	-	-	-	-
	8.450.327	2.163.157	9.290.882	2.825.070

As of 31 December 2020, the maximum and minimum interest rates for these foreign currency investments were as follows:

	2020		2019	
	Minimum rate	Maximum rate	Minimum rate	Maximum rate
Up to 1 month	0,150%	7,000%	-	1,625%
1 to 3 months	0,050%	4,250%	1,125%	2,125%
3 to 12 months	0,003%	4,250%	1,125%	7,125%
1 to 3 years	0,006%	4,590%	1,125%	3,625%
3 to 5 years	0,046%	2,913%	0,400%	4,000%
More than 5 years	2,050%	2,550%	-	-

Cash and cash equivalents and investments in credit institutions are mainly composed of short-term financial assets, and, for this reason, their carrying amount at the reporting date is considered to be close to fair value.

NOTE 7 – GOLD

This section is analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Gold in coins and bars				
Held outside the country	17.958.167	11.848.561	17.958.167	11.848.561
	17.958.167	11.848.561	17.958.167	11.848.561



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As of 31 December 2020, gold reserves of approximately 126,530 ounces (2019: 126,494 ounces) were valued at USD 239,761,911 (2019: USD 192,753,553), based on the average price of gold quoted in US dollars at the reporting date on the London gold market.

NOTE 8 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

They refer to investments under the custody of asset managers appointed by the Bank. Through separate agreements signed by them, managers invest the funds made available in assets, specifically stipulated in the agreement. Fees range from 0.10% to 0.30% of the portfolio market value.

This section is analyzed as follows:

31.12.2020

	INDIVIDUAL		CONSOLIDATED	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Shares	97.600	187.152	97.600	187.152
Treasury bills	27.684.693	28.388.967	27.684.693	28.388.967
Bonds of other issuers	5.269.000	5.463.731	5.269.000	5.463.731
Others	4.273.852	3.608.486	4.273.852	3.608.486
Total	37.325.145	37.648.336	37.325.145	37.648.336

31.12.2019

	INDIVIDUAL		CONSOLIDATED	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Shares	13.257	140.316	13.257	140.316
Treasury bills	19.430.274	19.628.195	19.430.274	19.628.195
Bonds of other issuers	3.110.398	3.149.490	3.110.398	3.149.490
Others	1.308.652	1.320.207	1.308.652	1.320.207
Total	23.862.581	24.238.208	23.862.581	24.238.208



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NOTE 9 – FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

This section is analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Debt instruments				
Unlisted securities				
From non-resident issuers				
U.S. Treasury bonds	45.208.896	32.617.255	45.208.896	32.617.255
Investments in credit institutions				
Term deposits	189.930.403	163.785.214	189.930.403	163.785.214
Interest receivable	-	-	-	-
	235.139.298	196.402.469	235.139.298	196.402.469
Equity instruments	-	-	-	-
Unlisted securities				
From non-resident issuers				
Shares	-	-	-	-
From resident issuers				
Shares	-	-	-	-
	235.139.298	196.402.469	235.139.298	196.402.469
Financial assets at fair value through other comprehensive income	235.139.298	196.402.469	235.139.298	196.402.469

The detail of financial assets at fair value through comprehensive income is presented as follows:

31.12.2020	Nominal value	Fair value	Acquisition cost	Capital gains	Impairment
Debt instruments					
Mozambican Government Treasury bonds	-	-	-	-	-
U.S. Treasury bonds	-	45.208.896	44.256.395	952.501	-
Investments in credit institutions					
Term deposits	189.930.403	189.930.403	189.679.103	251.300	-
Financial assets at fair value through other comprehensive income	189.930.403	235.139.298	233.935.498	1.203.801	-
31.12.2019	Valor nominal	Justo valor	Valor de aquisição	Mais valias	Imparidade
Debt instruments					
Mozambican Government Treasury bonds	-	-	-	-	-
U.S. Treasury bonds	-	32.617.255	30.248.960	2.368.295	-
Investments in credit institutions					
Term deposits	3.935.228	3.935.228	163.785.214	-	-
Financial assets at fair value through other comprehensive income	163.785.214	196.402.469	194.034.174	2.368.295	-



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NOTE 10 – FINANCIAL ASSETS AT AMORTIZED COST

The financial assets at amortized cost incorporate the values of the Mozambican State Treasury Bonds and Treasury Bills, making up 4,545,335 thousand Meticaís and 156,908,403 thousand Meticaís, respectively.

The Mozambican State Treasury Bonds represent securities issued by the State in favor of the Bank for the settlement of state debt under Article 14 of Law No. 1/92 of 3 January, Organic Law of the Banco de Moçambique.

Since 2008, due to the revision of the contractual terms, securities now have a maturity period of one year, tacitly renewable and remunerated at an interest rate of 8%. The fair value of these bonds is close to the carrying amount as of 31 December 2020.

NOTE 11 – FINANCIAL INVESTMENTS

The financial investments contain the Bank's subsidiaries already identified in note 2.2. In the separate financial statements, the subsidiaries are valued at historical cost. In the consolidated financial statements, Sociedade Interbancária de Moçambique, S. A. and Kuhanha — Sociedade Gestora do Fundo de Pensões do Banco de Moçambique, S. A. are consolidated using the full consolidation method.



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NOTE 12 – OTHER TANGIBLE ASSETS

The movements in the financial year ended 31 December 2020 were as follows:

	Land and buildings	Equipment	Artistic heritage	Ongoing investments	Total
At 31 December 2020					
Carrying amount at the beginning of the year	24.785.414	647.257	9.184	14.034.670	39.476.525
Additions	816.541	354.087	-	4.476.896	5.647.524
Gains in revaluation	-	-	-	-	-
Impairments	-	-	-	-	-
Regularizations	-	(509)	-	(1.590.241)	(1.590.750)
Depreciation for the year	(448.354)	(196.766)	(631)	-	(645.750)
Carrying amount at end of year	25.153.601	804.069	8.554	16.921.325	42.887.550
At 31 December 2020					
Cost	27.645.114	2.751.139	19.582	16.921.325	47.337.160
Impairments	-	-	-	-	-
Accumulated depreciation	(2.491.512)	(1.946.984)	(11.113)	-	(4.449.610)
Carrying amount	25.153.602	804.155	8.468	16.921.325	42.887.550

The movement under the item of ongoing transfer of asset values for land and buildings refers to the costs of the Office Tower and the Technical Center (torre de escritórios e pólo técnico) in use.

	Land and buildings	Equipment	Artistic heritage	Ongoing investments	Total
At 31 December 2019					
Carrying amount at the beginning of the year	18.441.580	633.887	7.550	12.270.230	31.353.248
Additions	1.789.521	181.929	1.634	1.530.421	3.503.505
Regularizations	-	-	-	-	-
Gains in revaluation	7.466.211	-	-	2.003.016	9.469.227
Impairments	(925.947)	-	-	(1.768.996)	(2.694.944)
Regularizations	(1.590.241)	-	-	-	(1.590.241)
Depreciation for the year	(395.710)	(168.559)	-	-	(564.269)
At 31 December 2018	24.785.414	647.257	9.184	14.034.670	39.476.525
Cost					
Cost	-	(10.149.295)	18.788	14.034.670	43.287.156
Impairments	(925.947)	-	-	-	(925.947)
Accumulated depreciation	(1.113.526)	(15.414.871)	(9.603)	-	(2.884.684)
Carrying amount	24.785.414	647.257	9.184	14.034.670	39.476.525



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The movement in the Group for the year ended 31 December 2020 was as follows:

	Land and buildings	Equipment	Artistic heritage	Ongoing investments	Total
At 31 December 2020					
Carrying amount at the beginning of the year	24.941.221	654.303	9.184	14.462.278	40.066.986
Additions	817.296	492.288	-	4.494.088	5.803.672
Gains in revaluation	-	-	-	-	-
Impairments	-	-	-	-	-
Regularizations	3.527	81.056	-	(1.675.176)	(1.590.593)
Depreciation for the year	(452.424)	(245.571)	(631)	-	(698.625)
Carrying amount at end of year	25.309.621	982.076	8.554	17.281.190	43.581.441
At 31 December 2020					
Cost	27.835.538	3.359.905	19.667	17.281.190	48.496.298
Impairments	-	-	-	-	-
Accumulated depreciation	(2.525.916)	(2.377.828)	(11.113)	-	(4.914.858)
Carrying amount	25.309.621	982.076	8.553	17.281.190	43.581.441
	Land and buildings	Equipment	Artistic heritage	Ongoing investments	Total
At 31 December 2019					
Carrying amount at the beginning of the year	18.597.634	657.211	7.550	12.705.100	31.967.495
Additions	1.792.568	198.752	1.634	1.523.158	3.516.111
Gains in revaluation	7.466.211	-	-	2.003.016	9.469.227
Impairments	(925.947)	-	-	-1.768.996	(2.694.943)
Regularizations	(1.590.241)	-	-	-	(1.590.241)
Depreciation for the year	(399.003)	(201.660)	-	-	(600.663)
Carrying amount at end of year	24.941.221	654.303	9.184	14.462.278	40.066.986
At 31 December 2019					
Cost	27.011.029	2.801.339	18.787	14.462.278	44.293.433
Impairments	(925.947)	-	-	-	(925.948)
Accumulated depreciation	(1.143.860)	(2.147.036)	(9.603)	-	(3.300.499)
Carrying amount	24.941.221	654.303	9.184	14.462.278	40.066.986



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NOTE 13 – INTANGIBLE ASSETS

The movement in intangible assets during the financial year 2020 was as follows:

At 31 December 2020	INDIVIDUAL	CONSOLIDATED
Carrying amount at the beginning of the year	49.153	351.704
Additions	53.255	87.909
Regularizations	-	(123.962)
Amortization for the year	(18.427)	(32.301)
Carrying amount at the end of the year	83.980	283.350
At 31 December 2020		
Cost	341.871	818.509
Accumulated amortization	(257.890)	(535.158)
Carrying amount	83.980	283.350

The movement in intangible assets during the financial year 2019 was as follows:

At 31 December 2019	INDIVIDUAL	CONSOLIDATED
Carrying amount at the beginning of the year	47.641	475.479
Additions	16.541	23.594
Regularizations	-	43.160
Impairment for the year	-	(44.692)
Amortization for the year	(15.029)	(145.837)
Carrying amount at the end of the year	49.153	351.704
At 31 December 2019		
Cost	288.616	906.112
Accumulated amortization	(239.463)	(554.408)
Carrying amount	49.153	351.704



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NOTE 14 – OTHER FINANCIAL ASSETS

The balance of this item is broken down as follows:

	Notes	INDIVIDUAL		CONSOLIDATED	
		2020	2019	2020	2019
Foreign debtors		528.213	123.768	528.213	123.768
Staff loans	14.1	4.963.487	3.876.192	4.963.487	3.876.192
Clearing accounts		202.104	831.840	202.104	831.840
Production costs of banknotes and coins	14.2	4.387.306	3.213.425	4.387.306	3.213.425
Stationery		25.697	21.087	25.697	21.087
Loans and advances granted to the Government	14.3	49.807.137	43.347.744	49.807.137	43.347.744
Other receivables	14.4	4.507.614	6.808.715	3.879.685	6.195.769
Gross amount of other assets		64.421.559	58.222.771	63.793.630	57.609.825
Impairment losses		(9.543)	(9.543)	(9.543)	(9.543)
Carrying amount		64.412.017	58.213.228	63.784.088	57.600.281

Impairment losses refer to “other debtors”:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Carrying amount at 01 January	9.543	9.543	9.543	9.543
Increases	-	-	-	-
Decreases	-	-	-	-
Carrying amount at 31 December	9.543	9.543	9.543	9.543

With the exception of loans to staff members, the financial assets included in this item are mainly composed of short-term financial assets and therefore their carrying amount is close to their fair value.

14.1. Loans to staff members

According to the Collective Labor Agreement (CLA), the Bank grants loans for housing, cars, education and other purposes to its employees.



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14.2. Costs of the production of banknotes and coins

This item is broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Banknotes and coins issued	940.138	860.123	940.138	860.123
Banknotes and coins not issued	3.447.169	2.353.302	3.447.169	2.353.302
	4.387.306	3.213.425	4.387.306	3.213.425
Banknote and coin depreciation				
	2020	2019	2020	2019
Banknotes	447.703	429.834	447.703	429.834
Coins	61.076	58.110	61.076	58.110
	508.779	487.944	508.779	487.944

14.3. Loans and advances to the government

During the financial year 2020, the Bank granted loans to the State in a total of 49,807,137 thousand meticaís, of which 14,963,154 thousand meticaís at an annual interest rate of 3%; the amount of 29,612,043 thousand meticaís was granted under the conditions established by Article 18 of Law No. 1/92 of 3 January, Organic Law of the Banco de Moçambique, noting that 5,231,940 thousand meticaís concerns interest.

It should be noted that Article 18 (1) establishes that the Bank "... may grant annually to the state, interest-free credit in the form of a current account, in national currency, up to the maximum amount of ten percent of the ordinary revenues of the general budget of the state, collected in the penultimate financial year". Number 2 of the same article states that "the withdrawals of the State from the same account will be made only in representation of the budget revenues of the respective financial year and the credit must be settled until the last day of the financial year, in which it has been opened, and if not the balance will accrue interest at the bank's rediscount rate".



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14.4. Other debtors

The balance of this item is broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2020
SIMO	778.152	859.576	778.152	859.576
Creditors - banknote and coin production	-	776.485	-	776.485
MEF - PTA - Bank	259.599	245.897	259.599	245.897
MEF - MEFMI	13.905	26.293	13.905	26.293
Kuhanha	4.035.464	4.035.175	4.035.464	4.035.175
MEF-AFRITAC	11.235	9.221	11.235	9.221
Other active operations (accrued amounts)	(956.548)	918.210	(956.548)	918.210
Others	365.806	(62.141)	(262.123)	(675.087)
	4.507.614	6.808.715	3.879.685	6.195.769

The balance of Kuhanha (representing the Employee Pension Fund of the Banco de Moçambique) refers to a supply contract concluded between the parties. This amount shall be repaid through dividends or the sale of shares relating to its financial contribution.

NOTE 15 – FOREIGN EXCHANGES

Gains and losses stemming from unrealized foreign exchange differences as foreign currency claims and liabilities are recognized under a financial position account (special value foreign exchange movements), under Article 14 (2) of Law No. 1/92 of 3 January – Organic Law, which states that “if, at the end of the financial year, the special value fluctuation account shows an outstanding balance, the State shall settle this balance by issuing public debt securities in favor of the Bank or any other manner proposed by the Board of Directors of the Bank”; and (3) of the same Article, which states that “any credit balance in the special value fluctuation account at the end of each financial year shall be credited to an account held on behalf of the State, where the Bank shall pay interest at a rate to be determined by the Board of Directors”.

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Fluctuation in the value - Opening Balance	38.261.614	28.112.319	38.261.614	28.112.319
Unrealized foreign exchange loss for the year	(29.026.854)	10.149.295	(29.026.854)	10.149.295
Fluctuation in the value - Closing Balance	9.234.760	38.261.614	9.234.760	38.261.614



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Moreover, we present below the impact of the Bank adopting the Organic Law to the detriment of IFRS/IFRS, with regard to this matter.

Accounts in accordance with IFRS

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Net profit/(loss) of the year with derogation	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Changes unrealized foreign exchange in profit / loss for the year	29.026.854	(10.149.295)	(29.026.854)	(10.149.295)
Equity	(16.707.734)	(44.001.119)	(16.667.774)	(44.059.617)
Accumulated amounts due to the government	-	-	-	-

Accounts in accordance with the Organic Law

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Net profit/(loss) of the year	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Changes unrealized foreign exchange in profit / loss for the year	-	-	-	-
Equity	1.699.892	2.306.783	1.739.852	2.248.285
Accumulated amounts due to the government	9.234.760	38.261.614	9.234.760	38.261.614

Impact

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Net profit/(loss) of the year with derogation	(1.516.315)	(4.800.533)	(1.371.165)	(4.648.310)
Unrealized foreign exchange loss (IAS 21)	29.026.854	(10.149.295)	29.026.854	(10.149.295)
Financial instruments impairments (IFRS 9)	(1.126.578)	(465.043)	(1.126.578)	(465.043)
Net profit/(loss) of the year without derogation	26.383.961	(15.414.871)	26.529.111	(15.262.649)
Equity with derogation	1.699.892	2.306.783	1.739.852	2.248.285
Value exchange account	(9.234.760)	(38.261.614)	(9.234.760)	(38.261.614)
Financial instruments impairments (IFRS 9)	(9.172.866)	(8.046.288)	(9.172.866)	(8.046.288)
Equity without derogation	(16.707.734)	(44.001.119)	(16.667.774)	(44.059.617)
Value exchange account	-	-	-	-
Result for foreign exchange operations	44.455.504	3.935.228	44.404.339	3.937.011



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NOTE 16 – BANKNOTES AND COINS IN CIRCULATION

As of 31 December 2020, the balance of this item is broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Banknotes	82.930.901	76.164.592	82.930.901	76.164.592
Coins	1.396.833	1.319.226	1.396.833	1.319.226
Banknotes and coins held by the Bank	(8.738.796)	(10.584.345)	(8.738.796)	(10.584.345)
Banknotes and coins no longer in use	(6.915.260)	(7.364.771)	(6.915.260)	(7.364.771)
	68.673.677	59.534.702	68.673.677	59.534.702

The banknotes and coins that comprised the Bank's cash balance at the reporting date were deducted from the value of banknotes and coins in circulation for, due to their condition, they do not represent currency in circulation.

The following table shows the value of banknotes and coins in circulation as of 31 December 2020:

Banknotes and coins in circulation (outside the Bank)	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Banknotes	67.302.472	58.238.310	67.302.472	58.238.310
Coins	1.371.205	1.296.393	1.371.205	1.296.393
	68.673.677	59.534.702	68.673.677	59.534.702

Monetary Reserve

In accordance with Article 15 of Law No. 1/92, regarding the Bank's issue of money, where it exceeds the level of foreign exchange reserves, it shall have full coverage, consisting of:

- Claims on the State;
- Securities comprising the bank's commercial portfolio;
- Loans granted to credit institutions as a result of gold-backed credit transactions; and
- Claims arising from transactions in loans secured by gold, treasury securities and foreign state securities granted to credit institutions under Article 41.

Article 12 of Law No. 1/92 defines that foreign exchange reserves consist of gold, bar or ingot, fine silver and platinum, special drawing rights, foreign currency and other assets expressed in foreign currency of assured convertibility.



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As of 31 December 2020, foreign exchange reserves amounted to 301,946,646 thousand meticaís (2019: 236,022,935 thousand meticaís).

NOTE 17 – DEPOSITS FROM OTHER INSTITUTIONS

As of 31 December 2020, the balance of this item is broken down as follows:

		INDIVIDUAL		CONSOLIDATED	
		2020	2019	2020	2019
Deposits in national currency:					
Government		64.864.076	57.514.621	64.864.076	57.514.621
Financial institutions	18.1	45.373.903	54.063.614	45.373.903	54.063.614
Consignment liabilities	18.2	436.133	289.638	436.133	289.638
Others		575.327	986.826	575.327	986.826
Deposits in foreign currency:					
Government		20.935.504	10.729.091	20.935.504	10.729.091
Financial institutions	18.1	52.225.110	38.941.070	52.225.110	38.941.070
Consignment liabilities	18.3	3.446.241	2.855.054	3.446.241	2.855.054
Collateral		33	770	33	770
Others		1.101	303	1.101	303
		187.857.429	165.380.987	187.857.429	165.380.987

Pursuant to Article 6 (1), Law No. 1/92 of 3 January, Organic Law of the Bank, deposits from financial institutions, even if they refer to mandatory deposits, may be remunerated. Deposits are mainly composed of short-term investments, and for this reason, their carrying amount is close to fair value.

18.1 This balance represents the deposits of local commercial entities with the Bank.

18.2 This balance represents the equivalent in national currency of loans received from the World Bank and other financial institutions for lending to beneficiaries of financing programs.

18.3 This balance covers special project accounts held in the name of the Treasury and other resident entities.



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NOTE 18 – TREASURY BILLS ISSUED ON BEHALF OF THE STATE AND OTHER MONETARY INSTRUMENTS

This item is broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Treasury bills issued to finance the State	76.861.727	105.547.021	76.861.727	105.547.021
Treasury bills for Monetary Policy	120.357.069	58.657.676	120.357.069	58.657.676
Marginal lending facilities	104.877.028	42.604.645	104.877.028	42.604.645
Interest payable	3.930.942	5.279.897	3.930.942	5.279.897
	306.026.766	212.089.239	306.026.766	212.089.239

Treasury bills represent debt securities issued by the Bank for periods of three months, six months and one year. Treasury bills are issued in order to serve as instruments for managing money market liquidity through open market operations in the local financial market and to provide the Mozambican state with short-term funds.

The funds obtained by issuing the Treasury Bills shall be transferred to the State, at its request, at the same interest rate charged in the market, and for the period agreed with the State. For this reason, its carrying amount at the reporting date is considered close to fair value. The interest rate on Treasury bills varied throughout the year between 7.00% and 11.64%.

NOTE 19 – EXTERNAL FINANCING

This item's balance is broken down as follows:

Liabilities	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Special drawing rights	11.741.283	9.249.809	11.741.283	9.249.809
Extended credit facility (ESF)	6.127.497	7.361.565	6.127.497	7.361.565
Total	17.868.780	16.611.374	17.868.780	16.611.374

This is the credit extension facility under the financing for Poverty Reduction and Growth Program and under the international financial crisis, respectively. The loans are denominated in Special Drawing Rights (SDR) and their terms and conditions will be honored by the Bank. The potential interest has been duly recognized.



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The allocation of Special Drawing Rights (amount payable to the IMF) stands for SDR 108,838,056.00 equivalent to 11,741,283 thousand meticaís, (2019: SDR 108,838,056.00, equivalent to 9,249,809 thousand meticaís).

In net terms, the position with the IMF is as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Foreign loans	17.868.780	16.611.374	17.868.780	16.611.374
Assets				
Special drawing rights	443.783	370.713	443.783	370.713
Total	17.424.996	16.240.661	17.424.997	16.240.661

The Special Drawing Rights asset represents Mozambique's share in the IMF. The carrying amount at the reporting date is considered close to fair value. This amount is included in Note 6 - Cash and cash equivalents and investments in other credit institutions.

NOTE 20 – EMPLOYEE BENEFIT LIABILITIES

The main actuarial assumptions used in the calculation of pension obligations are:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Financial assumptions				
Discount rate	10,58%	17,48%	10,58%	17,48%
Salary increase rate	3,50%	5,7%	3,50%	5,7%
Pension fund increase rate	3,50%	5,7%	3,50%	5,7%
Rate of Return	10,58%	17,48%	10,58%	17,48%
Demographic assumptions				
Mortality table	PF 60/64	PF 60/64	PF 60/64	PF 60/64
Retirement date	À idade de reforma	À idade de reforma	À idade de reforma	À idade de reforma
% of married employees	70%	70%	70%	70%

The calculation of the retirement pension obligations of employees was made on the assumption that the time of early retirement pension award would be at the earliest opportunity, i.e., the transition to retirement on the date on which the 35 years of service are reached, recognizing the increases in service where applicable.

The allocation of retirement pension for old age used the assumption that women retire on the date on which they turn 55 years of age and men on the date on which they turn 60 years of age.



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Participants in the pension plan are broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Assets	868	941	868	941
Retired persons and pensioners	696	672	696	672
	1.564	1.613	1.564	1.613

The assets of the employee pension fund of the Banco de Moçambique can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Demand deposits	1.554	764	1.554	764
Term deposits	5.358.000	4.803.380	5.358.000	4.803.380
Private bonds	3.875.515	3.890.299	3.875.515	3.890.299
Treasury bonds	5.826.559	6.355.320	5.826.559	6.355.320
Investment properties	1.449.180	1.179.962	1.449.180	1.179.962
Financial investments	5.751.722	5.369.795	5.751.722	5.369.795
Others	2.500.323	1.746.882	2.500.323	1.746.882
Payable	(4.048.537)	(4.039.938)	(4.048.537)	(4.039.938)
	20.714.316	19.306.464	20.714.316	19.306.464

Investment properties are mainly composed of investments in properties and financial holdings. The profitability of these assets depends on the future cash flows that these entities can generate.

The creditors mainly refer to the amount of 4,035,174 thousand meticaís concerning the advance to Kuanhã (representing the Employee Pension Fund of the Banco de Moçambique), in the form of supplies.

The developments in obligations, regarding retirement pensions and health benefits, can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Liabilities as at 1 January	16.825.300	19.308.888	16.825.300	16.825.300
Current service cost	372.325	427.432	372.325	427.432
Interest cost	2.840.026	2.809.500	2.840.026	2.809.500
Actuarial gains on liabilities	(29.118)	(4.301.711)	(29.118)	(4.301.711)
Pensions paid by the fund	(1.798.067)	(1.418.809)	(1.798.067)	(1.418.809)
Liabilities as at 31 December	18.210.466	16.825.300	18.210.466	14.341.712



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The developments in the value of pension fund assets throughout the year can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Fund balance at 1 January	19.306.464	18.759.411	19.306.464	19.306.464
Interest income	3.311.415	2.760.386	3.311.415	2.760.386
Bank contributions	1.042.784	883.890	1.042.784	883.890
Results of the revaluation of the fund's assets	(1.148.280)	(1.678.414)	(1.148.280)	(1.678.414)
Pensions paid by the fund	(1.798.067)	(1.418.809)	(1.798.067)	(1.418.809)
Fund balance at 31 December	20.714.316	19.306.464	20.714.316	19.853.518

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Current liabilities for past services	16.831.732	16.825.300	16.831.732	16.825.300
Amount of pension fund assets	(19.306.464)	(19.306.464)	(19.306.464)	(19.306.464)
	(29.115)		(29.117)	
Excess funding	(2.474.732)	(2.481.164)	(2.474.732)	(2.481.164)
Deficit	(2.474.732)	(2.481.164)	(2.474.732)	(2.481.164)

The costs of the exercise with retirement pensions and with health benefits can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Current service cost	362.582	427.432	362.582	427.432
Interest cost	2.820.651	2.809.500	2.820.651	2.809.500
Expected return on the fund	(3.311.415)	(2.760.386)	(3.311.415)	(2.760.386)
Cost for the year	(128.182)	476.546	(128.182)	476.546

NOTE 21 – OTHER LIABILITIES

This item is broken down as follows

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Foreign creditors	(13.437)	629.990	(13.437)	629.990
Domestic creditors	309.585	330.680	309.585	330.680
Clearing accounts	(9.543)	(8.584)	(9.543)	(8.584)
Employee remuneration	0	235.337	0	235.337
Other trade payables	847.050	774.957	1.329.418	1.193.549
	1.133.656	1.962.379	1.616.024	2.380.971

These financial instruments are mainly composed of short-term financial liabilities and for this reason the carrying amount at the reporting date is considered close to fair value.



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The value of the other charges payable reflects the change in the maturity procedure for special issue treasury bills, which were carried over to the following financial year. Previously, the maturities of treasury bills issued in a given financial year matured in the same financial year.

NOTE 22 – CAPITAL

The capital of the Bank is fully subscribed and realized by the Government of the Republic of Mozambique in a total of 2,596,721 thousand meticaís.

NOTE 23 – RESERVATIONS

LEGAL RESERVES

The amount recorded under this item is intended to ensure the integrity of the share capital.

NON-DISTRIBUTABLE RESERVES

Pursuant to Article 65, Law No. 1/92 of 3 January, Organic Law of the Bank, the investment of profits obtained must be submitted by the Board of Directors and approved by the Government.

For 2019, given the negative net income of 4,648,310.00 thousand meticaís, the unrealized gains, associated with gold investments, financial instruments and post-employment benefits are considered non-distributable in the process of application of results, thus preventing the distribution of unrealized results as dividends.

RESERVES OF POST-EMPLOYMENT BENEFITS

The balance of this item can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Balance at 1 january	(6.100.773)	(7.077.683)	(6.100.773)	(7.077.683)
Changes during the year	(1.098.990)	976.910	(1.098.990)	976.910
Balance at 31 December	(7.199.763)	(6.100.773)	(7.199.763)	(6.100.773)

FAIR VALUE REVALUATION RESERVES

This item shows the change in debt instruments and shares for the year, which is analyzed as follows:



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	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
At 1 January	379.855	43.330	379.855	43.330
Shares	12.180	336.525	12.180	336.525
Total change for the year	12.180	336.525	12.180	336.525
At 31 December	392.035	379.855	392.035	379.855

The balance of this item can be analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Balance at 1 January	10.391.442	922.215	10.391.442	922.215
Changes during the year	(50)	9.469.227	(50)	9.469.227
Balance at 31 December	10.391.392	10.391.442	10.391.392	10.391.442

NON-CONTROLLING INTERESTS

The following table shows the analysis of the Group's minority interests.

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Non-controlling interest balance at 1 January	-	-	588.608	588.608
Capital	-	-	-	-
Reserves	-	-	-	-
Net profit/(loss) of the year	-	-	-	-
Adjustments from previous years	-	-	-	-
Non-controlling interest balance at 31 December	-	-	588.608	588.608



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NOTE 24 – FAIR VALUE

For the determination of the fair value of financial assets and liabilities, the Bank uses the following measurement levels:

- Level 1: Financial Instruments and buildings measured according to market prices or providers;
- Level 2: Financial Instruments and buildings measured according to internal valuation methodologies, mostly considering observable market data; and
- Level 3: Financial Instruments and buildings measured according to internal valuation methodologies, essentially considering non-observable assumptions or adjustments in the market and having a significant impact on the measurement of the instrument.

This hierarchy requires the use of observable market data, when available. Where possible, the Bank considers relevant and observable market prices in its measurement of the fair value of financial instruments and buildings.



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The following tables show the analysis of financial instruments and buildings measured at fair value by hierarchical level of fair value.

At 31 December 2020	INDIVIDUAL			CONSOLIDATED		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets and gold						
Gold	17.958.167	-	17.958.167	17.958.167	-	17.958.167
	<u>17.958.167</u>	<u>-</u>	<u>17.958.167</u>	<u>17.958.167</u>	<u>-</u>	<u>17.958.167</u>
Fair value through profit or loss						
Shares	-	187.152	187.152	-	187.152	187.152
Treasury bonds	28.388.967	-	28.388.967	28.388.967	-	28.388.967
Bonds of other issuers	5.463.731	-	5.463.731	5.463.731	-	5.463.731
Others	3.608.486	-	3.608.486	3.608.486	-	3.608.486
	<u>37.461.184</u>	<u>187.152</u>	<u>37.648.336</u>	<u>37.461.185</u>	<u>187.152</u>	<u>37.648.336</u>
Fair value through other comprehensive income						
Obrigações do Tesouro do Estado moçambicano	-	-	-	-	-	-
U.S. treasury bonds	45.208.896	-	45.208.896	45.208.896	-	45.208.896
Term deposits	-	189.930.403	189.930.403	-	189.930.403	189.930.403
	<u>45.208.896</u>	<u>189.930.403</u>	<u>235.139.298</u>	<u>45.208.896</u>	<u>189.930.403</u>	<u>235.139.298</u>
Other tangible assets						
Buildings	25.153.602	-	25.153.602	25.153.602	-	25.153.602
	<u>25.153.602</u>	<u>-</u>	<u>25.153.602</u>	<u>25.153.602</u>	<u>-</u>	<u>25.153.602</u>
	<u>125.781.849</u>	<u>190.117.555</u>	<u>315.899.403</u>	<u>125.781.848</u>	<u>190.117.555</u>	<u>315.899.404</u>
Financial liabilities						
Treasury bills issued on behalf of the Mozambican Government and other monetary instruments	-	306.026.766	306.026.766	-	306.026.766	306.026.766
	<u>-</u>	<u>306.026.766</u>	<u>306.026.766</u>	<u>-</u>	<u>306.026.766</u>	<u>306.026.766</u>
At 31 December 2019						
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets and gold						
Gold	11.848.561	-	11.848.561	11.848.561	-	11.848.561
	<u>11.848.561</u>	<u>-</u>	<u>11.848.561</u>	<u>11.848.561</u>	<u>-</u>	<u>11.848.561</u>
Fair value through profit or loss						
Shares	-	(10.149.295)	-	-	(10.149.295)	-
Treasury bonds	19.628.195	140.316	19.768.511	19.628.195	140.316	19.768.511
Bonds of other issuers	3.149.490	(15.414.871)	(12.265.381)	3.149.490	(15.414.871)	(12.265.381)
Others	1.320.207	-	1.320.207	1.320.207	-	1,320.207
	<u>24.097.892</u>	<u>140.316</u>	<u>24.238.208</u>	<u>24.097.893</u>	<u>140.316</u>	<u>24.238.208</u>
Fair value through other comprehensive income						
Obrigações do Tesouro do Estado moçambicano	-	-	-	-	-	-
U.S. treasury bonds	32.617.255	-	32.617.255	32.617.255	-	32.617.255
Term deposits	3.935.228	163.785.214	167.720.442	-	163.785.214	163.785.214
	<u>32.617.255</u>	<u>163.785.214</u>	<u>196.402.469</u>	<u>32.617.255</u>	<u>163.785.214</u>	<u>196.402.469</u>
Other tangible assets						
Buildings	24.785.414	-	24.785.414	24.785.414	-	24.785.414
	<u>24.785.414</u>	<u>-</u>	<u>24.785.414</u>	<u>24.785.414</u>	<u>-</u>	<u>24.785.414</u>
	<u>93.349.122</u>	<u>163.925.530</u>	<u>257.274.652</u>	<u>93.349.123</u>	<u>163.925.530</u>	<u>257.274.653</u>
Financial liabilities						
Treasury bills issued on behalf of the Mozambican Government and other monetary instruments	-	212.089.239	212.089.239	-	212.089.239	212.089.239
	<u>-</u>	<u>212.089.239</u>	<u>212.089.239</u>	<u>-</u>	<u>212.089.239</u>	<u>212.089.239</u>



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The following tables show the analysis of financial instruments and buildings recorded at fair value and their comparison with their acquisition cost.

At 31 December 2020

	INDIVIDUAL			CONSOLIDATED		
	Cost	Fair-value	Difference	Cost	Fair-value	Difference
Financial assets and gold						
Gold	17.958.167	17.958.167	-	17.958.167	17.958.167	-
	17.958.167	17.958.167	-	17.958.167	17.958.167	-
Fair value through profit or loss						
Shares	97.600	187.152	89.552	97.600	187.152	89.552
Treasury bonds	27.684.693	28.388.967	704.274	27.684.693	28.388.967	704.274
Bonds of other issuers	5.269.000	5.463.731	194.731	5.269.000	5.463.731	194.731
Others	4.273.852	3.608.486	(665.366)	4.273.852	3.608.486	(665.366)
	37.325.145	37.648.336	323.191	37.325.145	37.648.336	323.191
Fair value through other comprehensive income						
U.S. treasury bonds	45.208.896	45.208.896	-	45.208.896	45.208.896	-
Term deposits	163.315.993	189.930.403	26.614.410	163.315.993	189.930.403	26.614.410
	208.524.889	235.139.298	26.614.410	208.524.889	235.139.298	26.614.410
Other tangible assets						
Buildings	18.011.131	25.153.602	7.142.471	18.011.131	25.153.602	7.142.471
	18.011.131	25.153.602	7.142.471	18.011.131	25.153.602	7.142.471
Total financial assets	281.819.332	315.899.404	34.080.072	281.819.332	315.899.404	34.080.072
Financial liabilities						
Treasury bills issued on behalf of the Mozambican Government and other monetary instruments	306.026.766	306.026.766	-	306.026.766	306.026.766	-
Total financial liabilities	306.026.766	306.026.766	-	306.026.766	306.026.766	-

At 31 December 2019

	INDIVIDUAL			CONSOLIDATED		
	Cost	Fair-value	Difference	Cost	Fair-value	Difference
Financial assets and gold						
Gold	11.848.561	11.848.561	-	11.848.561	11.848.561	-
	-	(10.149.295)	-	11.848.561	11.848.561	-
Fair value through profit or loss						
Shares	13.257	(15.414.871)	127.059	13.257	140.316	127.059
Treasury bonds	19.430.274	19.628.195	197.921	19.430.274	19.628.195	197.921
Bonds of other issuers	3.110.398	3.149.490	39.093	3.110.398	3.149.490	39.093
Others	1.308.652	1.320.207	11.555	1.308.652	1.320.207	11.555
	23.862.581	24.238.208	375.627	23.862.581	24.238.208	375.627
Fair value through other comprehensive income						
U.S. treasury bonds	3.935.228	3.935.228	-	32.617.255	32.617.255	-
Term deposits	163.315.993	163.785.214	469.221	163.315.993	163.785.214	469.221
	195.933.248	196.402.469	469.221	195.933.248	196.402.469	469.221
Other tangible assets						
Buildings	18.011.131	24.785.414	6.774.283	18.011.131	24.785.414	6.774.283
	18.011.131	24.785.414	6.774.283	18.011.131	24.785.414	6.774.283
Total financial assets	249.655.520	257.274.652	7.619.132	249.655.520	257.274.652	7.619.132
Financial liabilities						
Treasury bills issued on behalf of the Mozambican Government and other monetary instruments	212.089.239	212.089.239	-	212.089.239	212.089.239	-
Total financial liabilities	212.089.239	212.089.239	-	212.089.239	212.089.239	-



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NOTE 25 – FINANCIAL MARGIN

This item is broken down as follows:

25.1. Interest and similar income

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Interest on term deposits	2.471.574	4.132.360	2.471.574	4.132.360
Interest on securities available-for-sale	1.548.540	1.461.282	1.548.540	1.461.282
Interest on securities held-for-trading	446.743	479.685	446.743	479.685
Interest on demand deposits	6.409	69.990	65.664	115.921
Interest on loans and advances granted	3.816.210	3.448.344	3.816.210	3.448.344
Other interest	8.717	29.836	8.717	29.836
	8.298.194	9.621.497	8.357.449	9.667.428

25.2. Interest and similar expenses

The total interest income from assets measured and classified at fair value, through comprehensive income, in 2020 was 2,471,574 thousand meticals (2019: 4,132,360 thousand meticals) and 753,209 thousand meticals (2019: 1,079,196 thousand meticals), for term deposits and the internal securities portfolio, respectively.

NOTE 26 – FEE AND COMMISSION INCOME

This item is broken down as follows:

26.1. Fee and commission income

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Services provided	-	-	1.175.452	1.130.880
Transactions made	-	-	266.915	245.958
Other income from fees and commissions	-	-	-	1.531
	-	-	1.442.367	1.378.369

26.2. Fee and commission expenses

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Services provided	-	-	160.987	548.449
Transactions made	-	-	-	-
Other income from fees and commissions	-	-	548.404	178.703
	-	-	709.392	727.152



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NOTE 28 – NET GAINS FROM FOREIGN CURRENCY OPERATIONS AND REVALUATION OF GOLD

This item is analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Profit from sale of foreign currency				
On operations in gold	-	516.943	-	516.943
On operations in foreign currency	15.428.650	13.567.580	15.377.485	13.569.363
Total	15.428.650	14.084.523	15.377.485	14.086.306

For unrealized exchange rate revaluation results, see note 15.

NOTE 28 – OTHER OPERATING INCOME

This item is analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Collection costs	2.064	4.299	2.064	4.299
Transfer charges	87	714	87	714
Other services	3.133	9.412	3.133	9.412
Other operating profit	3.723.423	243.858	3.775.086	288.821
Other gains	36.133	34.636	36.133	34.636
	3.764.840	292.919	3.816.503	337.882



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NOTE 29 – STAFF EXPENSES

This item is analyzed as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Management remuneration	238.693	283.813	258.840	303.675
Employee remuneration	4.976.112	4.780.491	5.115.254	4.893.497
Costs with employee benefits - Note 20	3.832.087	986.644	3.832.087	986.644
Social charges	191.807	164.752	192.613	166.410
Other staff costs	202.644	166.100	209.923	194.611
	9.441.344	6.381.801	9.608.717	6.544.839

As of 31 December 2020, the number of employees of the Bank stood at 868 (2019: 941).

Key management staff consists of members of the Board of Directors and the Audit Board of the Bank.

NOTE 30 – OTHER OPERATING EXPENSES

This item is broken down as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Third-party supplies	401.990	338.216	414.146	350.943
Third-party services	1.461.745	1.480.529	1.786.024	1.699.319
Production costs of banknotes and coins	517.946	494.928	517.946	494.928
Other expenses	546.450	406.434	546.450	406.434
Other losses	87.425	25.488	87.425	25.488
	3.015.556	2.745.595	3.351.991	2.977.112

Other expenses mainly concern direct taxes in the amount of 72,000 thousand meticaís in 2020 (2019: 72,000 thousand meticaís) and commissions paid in respect of portfolios under external management in the amount of 60,262 thousand Meticaís in 2020 (2019: 47,397 thousand Meticaís).

The third-party services item comprises rental costs, in the amount of 19,585 thousand meticaís (2019: 12,374 thousand meticaís). These short-term contracts, less than 12 months, do not meet the requirements of IFRS 16, so they were considered expenses for the financial year.

NOTE 31 – RELATED PARTIES

The following concerned parties have been identified:



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	2020	2019
Government	Shareholder	Shareholder
Kuhanha	Controlled company	Controlled company
SIMO	Controlled company	Controlled company
Afreximbank	Participated company	Participated company
Swift	Participated company	Participated company
Key management	Members of the board of directors and audit board	Members of the board of directors and audit board

The entities related to the Bank, with whom it conducted transactions in the year ended 31 December 2020, are as follows:

	2020		2019		
	Treasury bonds	Exchange revaluation	Loans	Treasury bonds	Exchange revaluation
Government	8.037.913	-	7.470.484	8.037.913	-
Kuhanha	-	-	-	-	-
SIMO	-	-	(63.785)	-	-
Afreximbank	-	(2.895)	-	-	(2.895)
Swift	-	(32)	-	-	(32)
Key management	-	-	4.662	-	-

Balances with related parties are as follows:

At 31 December 2020				
	Government	Key management	Controlled and participated companies	Total
Assets				
Financial assets at amortized cost	29.671.977	-	-	29.671.977
Financial assets at fair value through profit or loss	-	-	841.562	841.562
Credits and advances granted	49.807.137	133.388	4.813.616	54.754.141
Total	79.479.114	133.388	5.655.178	85.267.681
Liabilities				
Government deposits	85.799.580	-	-	85.799.580
Treasury bills issued on behalf of the State and other monetary instruments	76.861.727	-	-	76.861.727
Total	162.661.307	-	-	162.661.307



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At 31 December 2019

	Government	Key management	Controlled and participated companies	Total
Assets				
Financial assets at amortized cost	29.671.977	-	-	29.671.977
Financial assets at fair value through profit or loss	-	-	800.719	800.719
Credits and advances granted	43.347.744	139.729	4.894.750	48.382.223
Total	73.019.721	139.729	5.695.469	78.854.919
Liabilities				
Government deposits	68.243.711	-	-	68.243.711
Treasury bills issued on behalf of the State and other monetary instruments	105.547.021	-	-	105.547.021
Total	173.790.732	-	-	173.790.732

The remuneration of the key management and supervision staff members of the Bank is as follows:

	INDIVIDUAL		CONSOLIDATED	
	2020	2019	2020	2019
Short-term employee benefits	238.693	283.813	258.840	303.675
	238.693	283.813	258.840	303.675

The flow for the period of transactions carried out by entities related to the Bank, with whom it held balances or made transactions in the year ended 31 December 2020, is as follows:

At 31 December 2020

	Government	Key management	Controlled and participated companies	Total
Balance at 1 January 2020	57.511.324	135.067	5.762.181	63.408.572
Additions	15.508.397	37.047	-	15.545.444
Amortizations	-	(32.385)	(66.712)	(99.096)
Balance at 31 December 2020	73.019.721	139.729	5.695.469	78.854.919



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NOTE 32 – COMMITMENTS AND CONTINGENCIES

Pursuant to Article 69, Law No. 1/92 of 3 January, the Bank enjoys, in the same terms as the State, exemption from all contributions, taxes, fees, administrative licenses, justice tax, stamp tax and other general and special provisions.

However, that exemption does not cover the obligation to retain withholding tax, which is required by law.

In this regard, tax authorities may review the Bank's outlook for ten years, which, on account of different interpretations and/or non-compliance with the tax legislation regarding withholding tax, may result in possible corrections. However, the Board of Directors of the Bank considers that any corrections resulting from reviews as to withholding tax (IRPC and IRPS) will not have a material effect on the financial statements.

As of 31 December 2020, the Bank has several lawsuits, making up 2,483,792 thousand meticaís (2019: 2,483,792 thousand meticaís), without expected cash flow, and hence no provision has been created.

The guarantees and sureties, as well as the other liabilities, are disclosed in note 34.

32.1 Contingent assets

Paragraph 3 of Article 3 of the Organic Law states that when implementing economic policy, the Bank observes the policies of the Mozambican State, that is, it exercises this function on behalf of the Mozambican State. To date, spending on monetary policy has always been borne by the Bank. Thus, costs have to be transferred to the government, in the amount of approximately 87,787,167 thousand meticaís, recognized by the Bank in its financial statements.

NOTE 33 – OFF-BALANCE SHEET ITEMS

This item is broken down as follows:

Transactions carried out on behalf of the state, in which the Bank does not hold any risk inherent in the transaction, were accounted for in off-balance sheet accounts. The Bank only acts as an intermediary in these transactions. The balance of transactions carried out on behalf of the state



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mainly includes the nominal value of Treasury Bills, manufactured notes and coins that have not yet been released on the market and promissory notes in favor of the IMF.

NOTE 34 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic, prompting many governments to take stringent measures to curb the spread of the disease-causing virus.

The COVID-19 pandemic is an unprecedented challenge for humanity and the world economy, and the Bank is currently assessing its impact on the economy, as a whole, and on the Bank, particularly, as its effects are subject to significant levels of uncertainty.

Meanwhile, in order to mitigate the negative impact of the COVID-19 pandemic on the financial system and the economy, the bank has taken the following measures:

- Introducing a USD 500 million foreign currency funding line for commercial banks authorized to trade foreign currency;
- Reduction of the reserve requirements on deposits of customers of commercial banks in national and foreign currency;
- Non-obligation of constituting provisions for doubtful claims by commercial banks, in the event of debt renegotiation with customers affected by the COVID-19 pandemic;
- Within the payment system, commercial banks and e-money institutions no longer charge commissions on transactions up to a certain limit, and the per-transaction, daily and annual limits have been revised upwards; and
- Regarding specific provisions, credit institutions were exempted from the requirement of providing for claims in foreign currency.

On the other hand, the Board of the Bank finds that, even with the uncertainties arising on account of COVID-19, the budget approved for the year 2021 shall be sufficient to keep operations ongoing, as the contingency plan has been enacted and covers operating activities and reserve management.



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The Bank will continue to monitor the economic and financial indicators and macroeconomic impacts of COVID-19, and will take additional corrective action where necessary.

ACCOUNTING DEPARTMENT

Alexandre Fumo
Head of the Accounting and Budget
Department

BOARD OF DIRECTORS

Benedita Maria Guimino
Board Member for
Financial Services and Human Resources

