Banco Letshego

Juntos melhoramos vidas

Market Discipline Report

June 2017

INTRODUCTORY NOTE

In accordance withnotice no. 16/GBM/2017 from 30th June 2017, BANCO LETSHEGO, SAdiscloses information regarding the management of risks taken and its capital adequacy in a predominantly prudential perspective. This information has been produced within the framework of the Basel II regulatory framework.

The information disclosed relates to information as of June 30, 2017. The information not mentioned in this document is not applicable due to a lack of such situations to report or because the information was not considered relevant in material terms.

The Board of Directors assures that all procedures deemed necessary to mitigate the bank's risk have been developed and that, to the best of its knowledge, all information disclosed is true and reliable.

Likewise, the Board of Directors assures the quality of all the information disclosed, including that referent or originated in entities within which the institution is inserted.

The Board of Directors undertakes to disclose in a timely manner any significant changes occurring during the following financial year to that to which this "Market Discipline" document refers.

DECLARATION OF RESPONSIBILITY

The directors are responsible for preparing and properly presenting the financial statements of BANCO LETSHEGO, SA, which comprise the Balance Sheet as at 30 June 2017, the income statement, the statement of changes in equity and the statement of cash flows for the period then ended, as well as the notes to the financial statements, which include a summary of the main accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards.

The directors are also responsible for the implementation of the appropriate risk management system that allows for the preparation and submission of Bank of Mozambiqueregulatory reports free of material misreporting, whether due to fraud or error, and for keeping proper records.

Chipiliro Katundu
Chief Executive Officer

Joao Machalela
Director of Risk and Compliance

SCOPE OF APPLICATION

The Bank, under the name of BANCO LETSHEGO, SA, headquartered at Av. Fernão Magalhães, No. 1211, R / C, was incorporated on February 11, 2011, pursuant to the Commercial Code under Decree-Law 02/2005 Of 27 December 2005, Chapter VI and Law of Financial Institutions 15/99 of 1 November, as amended by Law 09/2004 of 21 July 2004, and specifically the regulation of microfinance institutions under Decree 57/2004 Of December 10, 2004. The entity was licensed in accordance with the regulatory guidelines for micro-banking activity in force in Mozambique.

BANCO LETSHEGO, SA is represented throughout the country distributed via a network of 13 branches located in all provincial capitals.

The Risk Management System of BANCO LETSHEGO is integrated into the Internal Control System, which has an Internal Auditor and the Risk and Compliance Management team, which is based on the Group's policies and procedures. Currently, for risk management, BANCO LETSHEGO has 3 employees, responsible for identifying, evaluating, monitoring and controlling risks, as recommended by the Board of Directors in these matters.

BANCO LETSHEGO's risk management program strategically covers its key risks in line with industry regulatory standards and best practices and in support of business strategy. Whereby the risk management function shall adhere to the highest standards of corporate governance and aspire to fully comply with all applicable laws, rules and regulations governing the business activities of the institution.

CAPITAL STRUCTURE

BANCO LETSHEGO's capital is 98.36% held by non-nationals, with a total of 97.94% owned by the majority shareholder Letshego Holdings Limited. Since its inception in February 2011 and to keep up with the rapid growth that the Bank registered, BANCO LETSHEGO shareholders made 5 share capital increases until December 2013.

During the first semester, which ended on 30 June 2017, there was no increase in BANCO LETSHEGO's share capital.

ORDINARY SHARES

7 132 334 (2014: 7 132 334) ordinary shares are authorised and issued at 30 MZN each. There are no unissued shares

Shareholders	30-06-2017	30-06-2016
	MZN	MZN
Letshego Holding Limited (97.94% - 6.985.408 acções)	209,562,240	209,562,240
Shawn Bruwer (0.42% - 29.956 acções)	898,680	898,680
Timbila Design, Lda. (0.92% - 65.617 acções)	1,968,510	1,968,510
Joaquim Mataruca (0.22% - 15.691 acções)	470,730	470,730
	213,970,020	213,970,020

CAPITAL ADEQUACY

The Bank's objectives for capital management, within a broader concept of 'equity' in the statement of financial position, are to:

- Comply with the minimum capital requirements required by the Bank of Mozambique;
- Safeguard the Bank's ability to continue its operations in order to continue to generate results for its shareholders and benefits for the remaining stakeholders;
- Maintain a strong capital structure that can support the development of its activities.

The capital adequacy ratio and use of regulatory capital are monitored monthly by the Bank's management, using techniques based on guidelines established by the Bank of Mozambiquefor supervision purposes. The requested information is shared with the Bank of Mozambique on a monthly basis.

The Bank is required to maintain a minimum capital ratio equal to 9% of its own funds, defined as issuance premium, approved retained earnings and legal reserves, difference between provisions calculated in accordance with IFRS and calculated for regulatory purposes and accumulated in the presented Period.

The Bank of Mozambiquerequires the Bank to maintain a total regulatory capital ratio of risk-weighted assets equal to or greater than the required minimum of 9% by applying Basel II rules.

Risk-weighted assets are measured using the Bank's hierarchy of weighted risk of and classified according to the nature of the assets and reflecting the estimated credit risk associated with each asset and counterparty.

The following tables summarize the quantitative disclosures regarding the calculation of regulatory capital and the Bank's solvency ratio for the period ended June 30, 2017 in accordance with the requirements from theBank of Mozambique.

Original Own Funds	30-Jun-17	30-Jun-16
Paid-up capital	213,970	213,970
Share premium and other securities	524	524
Reserves and retained earnings	1,030,683	592,448
Intangible assets	(6,952)	(3,994)
Insufficient provisions	(89,851)	(225,457)
Additional Own Funds	**1,148,373**	**577,491**
Provisions for overall credit risks up to the limit of 0.0125% of credit risk-weighted assets	667	475
Subordinated loans	-	179,044
Proportion called up of redeemable preference shares	574,187	288,745
	574,853	**468,265**
Total Own Funds	**1,723,227**	**1,045,755**
Credit Risk (Weighted Assets)	5,333,775	3,801,472
Operational Risk (Basic Indicator Approach)	114,694	94,083
Market Risk	18,149	8
Total Risks	**5,466,618**	**3,895,563**
Overall Solvency Ratio	**31.52%**	**26.84%**
Core Tier I capital	22.78%	20.71%
Tier I Capital	31.52%	14.82%

Risk-weighted Assets	30-Jun-17	30-Jun-16
	MZN	MZN
Credit Risk		
Cash and deposits	112,408	34,934
Regulatory Retail Portfolio	3,219,777	3,516,200
Overdue Loans	1,715,598	250,072
Other assets	295,522	266
	5,343,305	**3,801,472**
Operational Risk		
Basic Indicator Approach	114,694	94,083
	114,694	**94,083**
Market Risk		
Currency Position	18,149	8
	18,149	**8**
Total Assets/Risk-weighted Assets	**5,476,148**	**4,163,345**

CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer or counterparty in a financial instrument fails to fulfil their contractual obligations and results mainly from the Bank's customer credit. For the purposes of risk management reports, the entity considers and consolidates all elements of the credit risk exposure (risk of default by customers, banking sector and country risk).

The provision of unsecured loans to formally employed individuals is the principal aspect of the entity's business. However, exposure to credit risk and the management of this risk is the key issue for the Board of Directors.

The model the entity uses to mitigate this risk are the agreements with their employers and BANCO LETSHEGO, SA to allow the employer to deduct the monthly loan payment directly from the employee's salary. The use of the "wage deduction code" model is well-established by the Bank.

CREDIT RISK MANAGEMENT

As mentioned above, the main activity of the entity is the granting of unsecured loans to formally employed persons. The Board of Directors has delegated responsibility for the supervision of credit risk to the Executive Director and credit department. However, this must be seen in the light of the general structure of exclusive use of "wage deduction codes" as the loan repayment mechanism.

It is the responsibility of the Executive Director to ensure that Bank policies relating to credit risk, financial capacity, minimum net wages and adherence to company levels or legislation on the payment of net wages are observed on a permanent basis.

The Bank ensures that these procedures are carried out as part of the loan and disbursement application process following the monitoring of credit portfolio performance by the credit department with the assistance of Letshego Holdings Limited. The credit department, reporting to the Executive Director and supported by Letshego Holdings Limited, is responsible for the Bank's credit risk management.

Letshego holds a comprehensive credit insurance contract to cover any potential risk of losses on the loan portfolio. A pre-determined rate, applied to all loans, is charged on each instalment received from customers and, in turn, paid to the insurers Sanlam and Hollard Insurance who manage the funds. The insurer reimburses Banco Letshego for failure to pay the debts of Banco Letshego's customers as a result of the inability to honour the terms of the respective loan agreement. The following risks are covered under this insurance: death, disability, debts, fraud, debtor and employer. The insurer receives monthly the total retained premium and manages the fund from which the administration and license fees are deducted as well as the financial costs.

LOAN REQUEST PROCESS

The participating employer does not guarantee advanced loans to employees and is only required to withhold the monthly instalments payable from the employee's salary before the salary is paid into the employee's bank account.

The deductions are subsequently paid to Letshego, directly and on a monthly basis, by the participating employer. The loan proceeds are electronically transferred to the employee's bank account to eliminate the risk of carrying cash in hand.

Loans are granted only to employees who are able to present the bank statement of the last two months of salary, are employed on a permanent basis and have an active bank account. This is a prerequisite since the loans are not paid in cash.

The main criteria considered by the Bank are the applicant's ability to meet their financial commitments and to remain with sufficient funds to finance their domestic needs in light of the loan. The entity applies these criteria to all customers and is in addition to regulatory requirements.

Customers are employees of the participating public employers. Whenever an employer is not a participating employer, Letshego engages with that employer and obtains a deduction authorization to allow deduction of the portion of employees' monthly salary.

All loans are repayable in equal and monthly instalments that are collected by authorizing the deduction of a salary (Deduction Code) granted by the participating employer, i.e.deduction at source.

CONTROL OF MONTHLY CHARGES

If a customer does not have sufficient funds from their net salary to meet the monthly loan instalment, the reasons for doing so are immediately established. If the customer is no longer an employee of the employer, recovery efforts are initiated.

If the customer has changed jobs, for an employer with whom the bank does not have a "deduction code", preauthorized direct debit mandates are used to recover loan payments from the customer's bank account.

If a customer receives a reduced salary, for example when it comes to study leave or maternity leave, loan repayments are rescheduled in order to resume full repayments until the time that the customer returns to full pay.

Tracking overdue loans

For loans that are overdue, the credit department follows established procedures for recovering repayments. This is in some cases the appointment of legal agents to guarantee debt collection lawsuits.

APPROVAL OF NEW EMPLOYERS

Todos os novos empregadores estão sujeitos a alguns critérios de avaliação definidos antes dos acordos do código de dedução. A aprovação é feita por um subcomité do Banco Letshego .

NON-MONETARY TRANSACTIONS

Loan disbursements are made electronically and the funds are deposited directly into the customers' bank accounts. This reduces both the risk of fraud and the complexity of the process. Due to this methodonly customers with bank accounts can be accepted.

Regular business unit audits and credit processes are conducted by Letshego Holdings Limited's Risk and Compliance Management Department to ensure compliance with internal processes and procedures as well as applicable regulatory requirements.

MAXIMUM EXPOSURE TO CREDIT RISK BY CLASS OF FINANCIAL ASSET

For financial assets recognized on the balance sheet, the exposure to credit risk is equal to its book value. The following table represents the maximum exposure at June 30, 2017 and June 30, 2016 to the balance sheet credit risk before any collateral received or other credit risk mitigation factors and impairment recognition have been considered.

Exposure to credit risk	30-Jun-17	30-Jun-16
	MZN	MZN
Cash and deposits at Central Bank	62,713.97	1,941,528
Deposits at other banks	134,883.32	169,547,095
Financial assets available for sale	-	1,532,200
Loans to customers	5,521,170.04	4,774,454,924
Other assets	295,521.59	172,878,915
Total assetssubject to credit risk	**6,014,288.93**	**5,120,354,662**
Assets not subject to credit risk	65,615,471.59	29,262,164

Geographical Distributionof exposure, subdividedby the main classes of credit exposure

Geographical Distribution	General Risks	Classe I	Classe II	Classe III	Classe IV	Classe V	Total
	MZN	MZN	MZN	MZN	MZN	MZN	MZN
Maputo	1,533,125.94	306,585.15	40,223.49	23,242.92	23,778.18	23,216.70	1,950,172.38
Gaza	142,792.65	25,934.60	3,401.50	1,144.59	1,641.73	1,103.12	176,018.19
Inhambane	246,493.96	46,129.09	6,793.46	3,946.14	2,233.75	3,094.15	308,690.55
Sofala	313,988.90	60,370.32	6,705.60	5,754.04	5,551.56	3,057.95	395,428.36
Manica	319,320.96	61,843.63	8,783.89	4,903.75	2,647.96	3,769.67	401,269.86
Tete	334,814.25	67,307.09	8,279.68	5,354.08	4,561.37	3,555.89	423,872.36
Zambézia	373,973.65	75,823.48	10,450.92	7,131.87	4,467.50	4,468.58	476,316.02
Nampula	532,948.28	119,252.28	15,157.67	8,089.64	8,417.72	7,258.70	691,124.30
Cabo Delgado	350,503.03	72,482.59	7,396.22	5,567.83	5,365.70	2,444.62	443,759.98
Niassa	368,526.44	71,357.55	8,613.42	5,998.04	4,395.35	5,284.44	464,175.24
Total	**4,516,488.07**	**907,085.77**	**115,805.85**	**71,132.89**	**63,060.83**	**57,253.82**	**5,730,827.22**

For reporting purposes on credit portfolio quality, the financial assets were analysed as follows:

On 30 June 2017	Neither Overdue nor impaired	Overdue but without impairment (90 to 180 days)	Overdue and impaired (over 180 days)	(Minus) Impairment	Book value
	MZN	MZN	MZN	MZN	MZN
Cash and deposits at Central Bank	62,713.97	-	-	-	-
Deposits at other banks	134,883.32	-	-	-	134,883.32
Financial assets available for sale	-	-	-	-	-
Loans to customers	5,539,347.56	71,132.89	120,314.64	(209,625.05)	5,521,170.05
Other assets	295,521.59	-	-	-	464,175.24
Total assets subject to credit risk	**6,032,466.44**	**71,132.89**	**120,314.64**	**(209,625.05)**	**5,951,574.96**

On 30 June 2017	Neither Overdue nor impaired	Overdue but without impairment (60 to 150 days)	Overdue and impaired (over 150 days)	(Minus) Impairment	Book value
	MZN	MZN	MZN	MZN	MZN
Cash and deposits at Central Bank	1,941,528	-	-	-	1,941,528
Deposits at other banks	169,547,095	-	-	-	169,547,095
Financial assets available for sale	1,532,200	-	-	-	1,532,200
Loans to customers	4,252,767,139	279,632,073	272,333,412	(30,277,700)	4,774,454,924
Other assets	172,878,915	-	-	-	172,878,915
Total assets subject to credit risk	**4,598,666,877**	**279,632,073**	**272,333,412**	**(30,277,700)**	**5,120,354,662**

FINANCIAL ASSETS OVERDUE BUT WITHOUT IMPAIRMENT

Loans overdue but not impaired are those in which contractual repayments are past due date from the balance sheet but on which the Bank believes that impairment is not appropriate in the specific case.For example, cases considered to be technical arrears, whenthe customer has already begun to pay the instalments even though they arebehind with theirinstalments.

Loans to customers	30-Jun-17	30-Jun-16
	MZN	MZN
Overdue by up to 90 days	115,805.85	197,238,460
Overdue between 90 and 150 days	71,132.9	82,393,613
Total overdue but without impairment	**186,938.74**	**279,632,073**

IMPAIRMENT ON LOANS

The impairment on loans and securities relates to loans and advances in which the Bank determines that it is probable that all interest due under the contractual terms of the loan will not be collected.

LOANS ON RENEGOTIATED TERMS

This applies when the employer fails to make a deduction for the loan which isnot attributable to the customer. In these cases, loans are restructured to reset the loan and not penalize the customer. The number and amount of these loans was zero during the year ended 30 June 2017, as it had been in 2016.

PROVISIONS FOR IMPAIRMENT

The Bank establishes a provision for impairment losses for the assets recorded at amortized cost in its loan portfolio. The main components of this provision are specific loss components related to individually significant exposures and a collective provision for general loan losses. This provision is established for groups of similar assets related to losses incurred but not identified on loans considered individually insignificant, as well as individual significant exposures that were subject to individual impairment assessments but are not individually impaired.

POLICY OFLOANS WRITE-OFF

The entity writes off the credit balance and any impairment loss costs, when the Credit Department determines that the loan is irrecoverable. This is determined after having taken into account information such as death, disability, dismissal, or significant changes in the financial situation of the customer to the point that they can no longer pay their obligation.

All written-off loans are fully recovered under the insurance contract signed with Sanlam and Hollard Moçambique Companhia de Seguros, SA, which has a period of up to seven days to proceed with the payment of the claim (outstanding principle of the written-off loan), oncethe insurer's share is taken.

Loans to customers with specific impairment are as follows:

Loans to customers overdue and with impairment	30-Jun-17	30-Jun-16
	MZN	MZN
Gross amount	120,314.64	272,333,412
Specific impairment	(41,508.55)	(16,286,742)
Balance sheet amount	**78,806.09**	**256,046,670**

MARKET RISK

Market risk is the risk of changes in market prices such as interest rates and exchange rates that will affect the true value or future cash flows of financial instruments. Market risk results from open positions on interest rates, foreign currency, both exposed to general and specific market movements and changes in the level of financial volatility.

The objective of market risk management is to manage and control market risk within acceptable parameters, while optimizing return on risk.

Market risk exists where the institution holds trade, banking or investment positions. For the purpose of this strategy, Market Risk has been identified for the following categories:

- Market risk related to interest rate risk in the loan portfolio (fixed rate loans);
- Market risk related to interest rate risk on loans provided (new loansfollowing rate reset as a result of changes in the Standing Lending Facility (SLF)).

MANAGEMENT OF MARKET RISK

The general responsibility for management ofmarket risk rests with the bank's management and is assisted by Group Audit and the Risk Committee. Management is responsible for the development of detailed risk management policies, subject to review by Group Audit and the Risk Committee during the course of implementing these policies.

EXCHANGE RATE RISK

Exchange rate risk is the risk of a deterioration in financial position due to changes in exchange rates.

The Bank is not exposed to the effects of fluctuations in the main exchange rates at the level of its financial position and cash flows. On June 30, 2017, the bank presented in its local current account in foreign currency, US $300,126, corresponding to 1% of Equity, much lower than that defined by the regulator, which is 10%.

OPERATIONAL RISK

Operational risk is the risk of direct and indirect losses arising from a wide variety of causes associated with Bank processes, personnel, technology, infrastructure, and external factors other than credit risk, market risk, liquidity risk, such as those resulting from generally accepted legal and regulatory requirements and corporate behavioural norms. Among others we can identify the following causes, relevant for the bank:

- Human error;
- Fraud;
- Compliance with regulations;
- Confidence in operational processes;
- Quality of services;
- Implementation of strategic changes and
- Security in information systems.

The Bank's objective is to manage operational risk in order to balance the financial losses and damage to the Bank's reputation with overall cost efficiency and avoid control procedures that restrict initiatives and creativity.

The main responsibility for developing and implementing controls to address operational risk is attributed to management. The responsibility is supported by the development of the Bank's global standards for operational risk management in the following areas that are included in the Group's Risk and Compliance department:

- Requirements for appropriate segregation of duties, including independent transaction authorization;
- Requirements for reconciliation and monitoring of transactions;
- Compliance with regulations and other legal requirements;
- Documentation of controls and procedures;
- Requirements for periodic assessment of operational risks faced and the adequacy of controls and procedures to mitigate identified risks;
- Requirements for reporting operational losses and remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethics and business standards; and
- Risk mitigation, including insurance, where it is effective.

Compliance with the Bank's standards is supported by a program of periodic reviews carried out by the Group's Risk and Compliance department. The results of Internal Audit reviews are discussed with management, with summaries submitted to Group Audit and the Risk and Compliance Committee and subsequent periodic reviews to ensure these are resolved.

EQUITY SHARES

Banco Letshego only has one "Mandatory" shareholdingin SIMO valued at 2.6 million meticais. SIMO (Sociedade Interbancaria de Moçambique, SA) is 51% owned by Bank of Mozambique with the remaining 49% owned by banks operating in the Mozambican financial market. The purpose of the company is to carry out activities and to provide the broadest services permitted to financial companies which manage or issue Credit Cards.

INTEREST RATE RISK

There is an exposure to interest rate risk associated with the effects of fluctuations in prevailing market rate levels on financial position and cash flows. Money is managed to ensure that the surplus funds are invested in order to achieve the maximum possible return, thus minimizing the risks. In general, interest on loans to customers is fixed while interest on loans received is variable. The table below summarizes the exposure to interest rate risk through the grouping of assets and liabilities, categorized by the first date, the contractual resetting of interest rates or maturity.

30 June 2017	Up to 1 month	From 1 to 12 months	From 1 year to 3 years	Over 3 years	Without interest rate risk	Total
	MZN	MZN	MZN	MZN	MZN	MZN
Financial assets						
Cash and deposits at central bank	-	-	-	-	62,713.97	62,713.97
Deposits at other banks	-	-	-	-	134,883.32	134,883.32
Financial assets available for sale	-	-	-	-	-	-
Loans to customers	34,541.09	168,858.74	1,186,247.20	4,131,523.01	-	5,521,170.04
Other assets	-	-	-	-	295,521.59	295,521.59
Total assets subject to interest rate risk	**34,541.09**	**168,858.74**	**1,186,247.20**	**4,131,523.01**	**493,118.88**	**6,014,288.93**
Financial liabilities						
Customer deposits	27,101.60	8,319.29	-	-	-	35,420.89
Bank loans	-	1,330,122.90	-	-	-	1,330,122.90
Liabilities represented by securities	-	72,373.66	-	-	-	72,373.66
Other liabilities	-	-	-	-	213,797.27	213,797.27
Preferential shares	-	2,470,000.00	-	-	-	2,470,000.00
Subordinated debt	-	225,079.16	-	-	-	225,079.16
Capital	-	-	-	-	1,667,495.05	1,667,495.05
Total liabilities subject to interest rate risk	**27,101.60**	**4,105,895.00**	**-**	**-**	**1,881,292.32**	**6,014,288.93**
GAP	**7,439.49**	**(3,937,036.26)**	**1,186,247.20**	**4,131,523.01**	**-**	**-**
Accumulated GAP	**7,439.49**	**(3,929,596.77)**	**(2,743,349.57)**	**1,388,173.44**	**-**	**-**
Accumulated GAP/ Sensitive Liabilities	**0.13%**	**-71%**	**-50%**	**25%**	**-**	**-**

30 June 2016	Up to 1 month	From 1 to 12 months	From 1 year to 3 years	Over 3 years	Without interest rate risk	Total
	MZN	MZN	MZN	MZN	MZN	MZN
Financial assets						
Cash and deposits at central bank	-	-	-	-	1,941,528	1,941,528
Deposits at other banks	-	-	-	-	169,975,292	169,975,292
Financial assets available for sale	-	-	-	-	1,532,200	1,532,200
Loans to customers	22,992,084	163,391,244	1,080,608,532	3,507,463,063	-	4,774,454,923
Other assets	-	-	-	-	172,878,915	172,878,915
Total assets subject to interest rate risk	**22,992,084**	**163,391,244**	**1,080,608,532**	**3,507,463,063**	**346,327,935**	**5,120,354,662**
Financial liabilities						
Customer deposits	-	8,120,656	-	-	-	8,120,656
Bank loans	855,921,938	-	-	-	-	855,921,938
Liabilities represented by securities	-	72,323,432	-	-	-	72,323,432
Other liabilities	-	-	-	-	32,453,899	32,453,899
Preferential shares	2,470,000.00	-	-	-	-	2,470,000.00
Subordinated debt	179,044,345	-	-	-	-	179,044,345
Total liabilities subject to interest rate risk	**3,504,966,283**	**80,444,088**	**-**	**-**	**32,453,899**	**3,617,864,270**

Sensitivity to alterations in interest rates on received financing	30-Jun-17	30-Jun-16
	MZN	MZN
Average cost of remunerated financing was	28.02%	18.96%
Impact of a 1% increase in financing rateson interest charges	41,329.97	18.96%
Impact of a 1% reduction in financing rates on interest charges	(41,329.97)	(35,772,897)

LIQUIDITY RISK

Liquidity risk is the risk that operations cannot be financed and financial commitments cannot be met in a timely and cost-effective manner. The risk results both from the difference between the magnitude of assets and liabilities and disproportion of their maturities.

Liquidity risk management deals with the overall balance sheet profile, bank financing requirements and cash flows. In quantifying liquidity risk, projections of future cash flows are simulated and necessary arrangements are put in place to ensure that all future cash flow commitments are met, from the funds generated by the Bank and also from financing lines available with financial institutions.

The table below shows the cash flows payable by the Bank for the contractual maturities remaining on the balance sheet date. The amounts reported in the table are contractual discounted cash flows.

30 June de 2017	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
	MZN	MZN	MZN	MZN	MZN	MZN
Financial Assets						
Customer deposits	27,102	172	8,148	-	-	35,421
Bank loans	-	18,593	390,209	921,320	-	1,330,123
Liabilities represented by securities	-	-	-	72,374	-	72,374
Other liabilities	-	-	-	-	-	-
Preferential shares	-	-	-	-	2,470,000	2,470,000
Subordinated debt	-	-	-	225,079	-	225,079
Total financial liabilities	**27,102**	**18,765**	**398,357**	**1,218,773**	**2,470,000**	**4,132,997**
Assets for liquidity risk management	**232,138**	**11,277**	**157,582**	**4,176,695**	**1,141,075**	**5,718,767**

30 June de 2016	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
	MZN	MZN	MZN	MZN	MZN	MZN
Financial Assets						
Customer deposits	-	130,943	7,971,059	18,654	-	8,120,656
Bank loans	284,951,581	15,140,909	538,454,634	17,374,541	-	855,921,93
Liabilities represented by securities	-	-	-	72,323,432	-	72,323,432
Other liabilities	32,453,899	-	-	-	-	32,453,899
Preferential shares	-	-	-	-	2,470,000,000	2,470,000,000
Subordinated debt	179,044,345	-	-	-	-	179,044,345
Total financial liabilities	**496,449,825**	**15,271,852**	**546,425,693**	**89,716,627**	**2,470,000,000**	**3,617,864,270**
Assets for liquidity risk management	**369,320,019**	**13,842,141**	**149,549,104**	**3,394,826,958**	**1,193,244,638**	**5,120,354,662**

The table above shows the discounted cash flows of the Bank's financial liabilities and the discounted cash flows of the Bank's unrecognized commitments assuming the closest contractual maturity date. The expected cash flows of the Bank in relation to these instruments may differ from this analysis. For example, elements from the Bank's finance department have regular meetings and updates ensuring that facilities and credit lines remain open and unrecognized credit commitments are not all expected to be used immediately.

Prudential and Economic - Financial Indicators

The Executive Board remains committed to the Bank's management based on high standards of best practice as well as maintaining key indicators within the prudential limits of credit institutions under Notice No. 9 / GBM / 2017.

The Leverage Ratio stands at 69%, which shows the institution's ability to self-finance itself; The Solvency and Liquidity Ratios remain within the prudential limits, standing at 32% and 30% respectively, and the Non-performing Loan Ratio (NPL) stands at 3%. While the efficiency ratio stands at 36,323 with only 152 full-time employees. See details of the indicators in the table below:

PRUDENTIAL AND ECONOMIC AND FINANCIAL INDICATORS

Description	Formula	%
CAPITAL		
Leverage Ratio	Equity Capital (i) /Total Assets	69%
Solvency Ratio	Own Funds/Risk-Weighted Assets	32%
Tier 1 Capital	Original Own Funds (ii) /Risk-Weighted Assets	23%
ASSET QUALITY		
Ratio of Loans Overdue up to 90 days	Loans Overdue up to 90 days/Total Loans	18%
Non Performing Loans Ratio (NPL)	Non Performing Loans (Gross) (iii) /Total Loans (Gross)	3%
NPL Coverage Ratio	Provisions for Non Performing Loans/Non Performing Loans	76%
MANAGEMENT		
Organisational Expenses	Operating Costs (iv) /Banking Product	427%
Running Cost	Administrative Costs (v) /Banking Product	415%
Efficiency Ratio	Productive Assets (vi) /Number of Employees	36,323 %
RESULTS		
Financial Margin Ratio	Financial Margin /Average Productive Assets	8.1%
Return on Assets (ROA)	Net Result/Average Assets	1.5%
Return on Equity (ROE)	Net Result/Average Equity	2.0 %
LIQUIDITY		
Net Assets Ratio	Net Assets (vii) /Total Assets	3.3%
Transformation Ratio	Total Loans/Total Deposits	15587%
Short-Term Liquidity Coverage Ratio	Net Assets/Short-Term Liabilities (viii)	30.03 %