KPMG

Financial statements
Audit

Servcred Microbanco S.A.
for the year ended 31 December 2024

SERVCRED MICROBANCO S.A.
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

General Information

Country of incorporation and domicile	Mozambique
Nature of the business and main activities	Provision of retail financial services
Administrators	Blessing Nyakubaya Dário Magide Mendes Liasse Luís Gamo Cumbana Mara Matias Mangane Sharon Bwanya
Microbank Address	Nr. 231, Av. Samora Machel Radio Mozambique Building Ground floor Lichinga Mozambique
Main Banks	Access Bank Mozambique S.A Banco Nacional Investimento S.A Banco Societe General Mozambique S.A Ecobank Mozambique S.A First National Bank Mozambique S.A
Auditors	KPMG Auditores e Consultores, S.A 1223 Street Number 72C Central Neighborhood "C" P.O. Box 2451 Maputo, Mozambique
Microbank's Lawyers	Dentons FLA Advogados Mozambique Liberation Front Street (formerly Pereira do Lago Street) No. 224 Maputo, Mozambique
Fiscal Council	Nexia Mozambique Av. Marginal 9519,-2° Andar Super Marés Shopping Maputo, Mozambique
Microbank registration number	101922642

Director's Responsibility Statement

The Directors are responsible for the preparation and fair presentation of the financial statements of Servcred MicroBanco S.A. ("the MicroBank") comprising the Statement of financial position as at 31 December 2024 and the Statements of profit or loss and other comprehensive income, Statement of Changes in equity and Statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management, as well as compliance with relevant laws and regulations in the Republic of Mozambique.

The Directors have made an assessment of the MicroBank's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the foreseeable future.

Approval of financial statements

The financial statements of Servcred MicroBanco, as identified in the first paragraph, were approved by the Directors on 22 April 2025 and are signed on their behalf by:

Directors' Report

The Directors have pleasure in submitting their report on the financial statements of Servcred Microbanco, S.A for the year ended 31 December 2024.

This report accompanies the audited financial statements and provides an overview of the company's performance, key achievements and strategic direction.

A. SERVCRED COMPANY PROFILE

1. Incorporation

Servcred MicroBanco S.A, ("the Microbank"), is a Microbank, specialised in the distribution of retail credit to individual clients, incorporated in Mozambique on 31 January 2023. The business operations were born out of a microcredit institution that was incorporated in July 2019.

2. Nature of Business

Servcred Microbanco is a provider of retail credit and impact finance in Mozambique.

3. Our Vision

Our Vision is to be Mozambique's credit institution of choice for those without access to banking services.

Our products are aimed at positively impacting the employees of government as well as private entities, whilst fostering development through the support of SMEs, Micro-entrepreneurs, Agriculture, Women, and the Youth.

We leverage our countrywide footprint to make credit available to underserved markets.

4. Our values

Our three core values governing Servcred Microbanco, S.A are:

- Integrity;
- Energy; and
- Adaptive Intelligence.

B. BUSINESS OPERATING ENVIRONMENT 2024

In 2024, Servcred navigated a complex and evolving landscape shaped by a convergence of critical pressures. Political disturbances, the introduction of new regulatory frameworks, shifting market dynamics, and broader economic fluctuations—including intensified competition—posed significant challenges to the institution's operations. These factors demanded agile and forward-thinking strategies.

In addition to the macroeconomic and regulatory challenges, the rapid pace of technological advancement significantly transformed operational models. The evolving digital landscape underscored the urgent need for robust cybersecurity frameworks and innovative digital strategies. Below is a summary of the primary business risks Servcred faced:

- ***Political Factors***: Towards the end of the year, Mozambique experienced significant political unrest marked by widespread protests. These events disrupted operations and contributed to increased market uncertainty during this period.

- ***Economic Factors***: The political unrest led to significant uncertainty, causing many businesses to halt operations. This instability diminished investor confidence, prompting prospective capital market participants to delay their decisions. These local challenges were further exacerbated by global factors carried over from 2023, such as high inflation rates and volatile commodity prices. These global events have not only affected market prices but have also had a substantial impact on interest rates.

- ***Legal and Regulatory Factors:*** Regulatory compliance is crucial, particularly now that Servcred operates as a Microbank in a highly regulated environment. It is imperative to implement controls to ensure compliance. Globally, the Basel III regulatory framework has been a significant topic, outlining key capital requirements that banks must adopt to buffer against potential losses. The Central Bank of Mozambique, as our regulator, underscores the importance of banks adhering to these capital requirements.

- ***Advancements in Technology and the Digital Economy***: We operate in an era marked by rapid technological advancements, including AI, cybersecurity challenges, e-commerce, and data privacy and security concerns. It is crucial for businesses to adopt strategies that address these emerging technological threats. The rise of fintech and digital banking is transforming the global banking sector. To remain competitive and meet evolving customer demands, Mozambican banks must invest in technology.

- ***Environmental Sustainability***: There is a growing emphasis on environmental, social, and governance (ESG) considerations in business operations. Microbanks that align with global sustainability standards will not only contribute to this global agenda but also attract international investments.

- ***Social Factors***: A significant portion of Mozambique's population remains unbanked, presenting an opportunity for Microbanks to expand their services. With a total population of approximately 30 million, only 5.9% have borrowed from a financial institution, highlighting the weak purchasing power of the population.

  Despite the political disruptions that marked the current year, Servcred Microbanco, S.A has demonstrated resilience by adapting to the evolving business environment. Servcred has positioned itself to be agile in any situation, providing it with a competitive edge in the market.

C. STRATEGIC INITIATIVES IN 2024

- We continued to strengthen our corporate governance structures to align with best practices in the banking sector, establishing and appropriately structuring board committees for effectiveness.
- We promoted ethical conduct among our employees, enhancing the overall integrity and sustainability of our operations.
- We pursued financing through strategic instruments such as secured corporate bonds, secured wholesale financing from commercial banks, and convertible subordinated financing.

- This year, we successfully secured financing through the issuance of corporate bonds, leading to increased loan disbursements and revenue. Additionally, Servcred fulfilled the initial interest coupon payment obligation for the issued bonds, underscoring the potential and capability inherent in Servcred's business operations and strategy.

D. FINANCIAL OVERVIEW

Our financial results for the year ended December 2024 reflect our commitment to growth and the creation of sustainable value for our shareholders. Below is a table showing the key highlights:

DETAILS	2024 MT	2023 MT	% change
Profitability			
Interest income	26 837 080	13 848 979	94%
Interest expense	(4 592 926)	(670 860)	585%
Net fees and commissions	(1 320 913)	(120 405)	997%
Impairment of financial instruments	(438 125)	(874 814)	(50%)
Operating expenses	(26 142 152)	(9 624 306)	172%
Income tax expense	97 471	(100 857)	(197%)
(Loss)/profit for the year	(5 559 565)	2 457 737	(326%)
Financial Position			
Cash and Cash equivalents	1 524 537	1 426 414	7%
Loans and advances to customers	55 618 173	12 492 299	345%
Other assets	15 156 140	3 401 622	346%
Total assets	85 870 755	37 398 055	130%
Total equity	34 821 829	17 181 394	103%
Total liabilities	51 048 926	20 216 661	153%

Interest income: The company reported a gross interest income of MT 26,837,080, reflecting a 94% increase from the previous year. Following the acquisition of our Micro Banking license, we significantly increased loan disbursement volumes, which in turn doubled our interest income.

Interest expense: We reported a significant rise in interest expenses due to the issuance of corporate bonds, resulting in a 585% increase from the previous year. Historically, the business had been predominantly funded by shareholders' capital and interest-free shareholder loans.

Impairment of financial instruments: The impairment loss is calculated according to the IFRS 9 expected credit loss model and was reduced by 50% in the year under review. This reduction is attributed to the relatively new loan book compared to the prior year. Servcred resumed loan disbursements under the new license in February 2024, resulting in most of the loans on the loan book being relatively new and of higher credit quality. The level of NPLs went down from 6% in 2023 to 3% in 2024.

Operating expense: Operating expenses increased by 172% from the previous year, as anticipated due to Servcred's investment and expansion phase following the license upgrade. In its first year of operations as a Microbank, Servcred incurred upfront investments in office infrastructure, information technology, and human resources.

Loss for the year: In the year under review, the company reported an operating loss, primarily due to the factors detailed in the operating expenses commentary. However, the business achieved monthly breakeven in the final quarter of 2024, and we are confident of achieving full-year profitability from 2025 onwards.

Cash and cash equivalents: The low cash levels underscore our ability to effectively deploy all funding raised from the capital markets, including increases in shareholder funds and shareholder loans, into the loan book asset. One of the greatest strengths of Servcred's business model is its ability to raise significant amounts of funding and immediately convert them into high-yielding assets of excellent credit quality.

Loans and advances to customers: The loan book grew by more than 345%, enabled in part by the first round of third-party financing secured to fund our core business of loan disbursements. Shareholders also made significant increases in capital and shareholder loans. The increase in client advances indicates strong market demand for our products.

Other assets: Other assets, primarily comprising deferred capital raise and deferred banking agency costs, increased by 346%, in line with the growth of the loan book as previously articulated.

Total liabilities: Total liabilities increased by 153% this year, primarily due to an increase in shareholder loans and corporate bonds issued. Shareholder participation in financing, rather than solely relying on debt, reflects their commitment to the business's enterprise risk and their confidence in achieving strategic objectives.

Total equity: To proactively manage the adequacy of regulatory capital during the first year of operations as a MicroBank, shareholders made supplementary capital injections, resulting in a 103% increase in total equity. This supplementary capital is currently undergoing regulatory procedures for prior approval of its recognition as paid-up capital.

Overall Assessment: The financial year 2024 marked the beginning of the company's growth phase following the acquisition of the Microbank license. Upfront investments were made in capital expenditure (Capex), lease agreements, human capital, technology, and operational expenses (Opex) to support scaling up, all before originating new loans and registering any interest income.

The board views this as the natural growth curve for the business and believes the loss does not pose a risk to its underlying going concern fundamentals. Month-on-month income statements demonstrate breakeven towards the end of the year, proving that the business model generates sufficient cash flows to be self-sustaining.

Additionally, shareholders have injected significant cash into the business through shareholder loans and equity increases.

E. SHARE CAPITAL COMPONENTS

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

- The Microbank complies with the externally imposed capital requirements set by the Central Bank of Mozambique;
- The Microbank maintains healthy capital ratios to support its business; and
- The Microbank has the ability to continue as a going concern, enabling it to provide investor returns and maximize shareholder value.

DETAILS	2024 MT	2023 MT
Share Capital		
Frederico Muianga 1.5%	150 000	75 000
Sergio Matsinhe 1.5%	150 000	-
Blessing Nyakubaya 97%	9 700 000	-
	10 000 000	75 000
Supplementary capital	23 700 000	500 000

F. RISK MANAGEMENT

The board of directors plays a crucial role in risk management, ensuring that the organization is well-prepared to handle potential threats and uncertainties. Effective risk management by the board involves active engagement and oversight, enabling the organization to navigate challenges and capitalize on opportunities.

Risk management is one of the directors' responsibilities, and the Servcred's Board of Directors takes full accountability. The company has a Risk and Compliance Committee that reports to the board of directors. Its mandate is to assist the directors in risk oversight, compliance monitoring, reporting, and ensuring that the organization effectively manages its risks and complies with relevant regulations.

The Microbank has exposure to the following risks from financial instruments:

Credit Risk:

The Microbank has policies, procedures and processes dedicated to controlling and monitoring risk from lending activities.

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

Liquidity Risk

Liquidity risk is the risk that the Microbank will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

The Directors' strategy for managing liquidity risk and oversight of the implementation is administered by management.

The approach to managing liquidity is to ensure as far as possible that the Microbank will always have sufficient liquidity to meet its liabilities when they are due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Microbank's reputation.

The Asset-Liability Committee (ALCO) plays a crucial role in managing this risk. ALCO oversees the management of the Microbank's assets and liabilities, ensuring adequate liquidity while balancing risks and returns. The committee's responsibilities include setting policies for liquidity risk, conducting regular assessments, and developing contingency funding plans to address potential liquidity challenges.

Market Risk

Involves many factors which include interest rate risk and currency risk:

- ***Interest rate risk:***

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

Financial instruments with cash flow interest rate risk comprise loans and advances to customers. The interest rate applied in loans and advances to customers are based on a fixed interest rate.

- ***Currency risk:***

The Microbank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The exchange rates against the Metical used for the translation of balances denominated in foreign currency specifically the USD have been constant ranging between 63-65 and thus the Microbank was not affected by foreign currency fluctuations during the year.

- ***Operational Risk:***

Operational risk is the risk of loss arising from systems failure, human error, fraud, or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss.

The Microbank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks the Microbank is able to manage the risks. Controls include effective segregation of duties, access authorisation and reconciliation procedures, staff education and insurance where this is applicable.

G. GOVERNANCE

The board of directors continued to play a pivotal role in corporate governance, ensuring that the organization is managed in alignment with its goals and the interests of its stakeholders.

The Microbank's board of directors have been responsible for strategic oversight, financial oversight, risk management and leadership in the current year. Management was guided by the board of directors in decision making that promotes integrity and transparency.

In the current year, Board committees were created, members elected, and mandates drafted and approved for each committee. The Committees which form part of the governance structure of the Microbank include:

- Board Risk and Compliance Committee,
- Board Audit Committee,
- Board Credit Committee.

Board of Directors Composition

The directors of the Microbank at the date of the approval of the financial statements are as follows:

MEMBER NAME	MEMBER TITLE	PRIMARY RESPONSIBILITIES
Blessing Nyakubaya	Founder and Chief Executive Officer	Vision, Strategy and leadership
Sharon Bwanya	Independent Non-Executive Chairperson	Governance
Mara Mangane	Independent non-executive director	Innovation and Strategic Operations
Luis Cumbane	Independent non-executive director	Taxation, Risk and financial Affairs
Dario Liasse	Independent non-executive director	Compliance regulatory affairs

Auditors

The auditors of Servcred Microbanco, S.A are KPMG Auditores e Consultores, S.A.

Fiscal Council

The Microbank's supervisory board is Nexia Sociedade de Auditores e Contabilistas Certificados, Limitada.

H. EVENTS AFTER REPORTING PERIOD

The directors determine that events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. The guidance of determining the events after reporting period is as per IFRS standards.

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

I. GOING CONCERN

The Board of Directors has performed an assessment of the entity's ability to continue as a going concern when preparing financial statements.

Various conditions and events that may exist and impact the company have been assessed by the Board of Directors. They have determined that the company will continue as a going concern, and its operations will proceed for the foreseeable future without the existence of material uncertainty regarding the entity's ability to continue as a going concern.

J. STRATEGIC PLANS

The company has a five-year strategy plan approved by the board of directors on 24 November 2024. The directors shall have overall responsibility to ensure that the objectives are achieved. The strategic plan includes six objectives which are:

- Expansion of business activities have now completed the transformation of the microcredit license into a microbanking license.
- Participate more regularly in the alternative capital markets to gain visibility, credence and investor confidence.
- Embark on an aggressive loan book growth campaign that will anchor sustained profitability, support adequacy of regulatory ratios and fund future organic growth.
- Achieve a 5% market share of all consumer credit granted to civil servants by 2030.

We are confident that the objectives outlined above provide a clear vision for Servcred over the next five years. We are committed to ensuring that Servcred's operations will add value to our shareholders and stakeholders.

K. ACKNOWLEDGEMENTS

We would like to express our gratitude to our shareholders for their continued support and trust. We also extend our appreciation to our employees for their hard work and dedication, and to our customers, partners and other stakeholders for their continued collaboration.

L. APPLICATION OF RESULTS

The Directors have proposed that the net results for the year ended 31 December 2024 be transferred to Servcred's retained earnings account.

M. CONCLUSION

In conclusion, we are proud of the progress we have made over the past year and excited about the opportunities that lie ahead. We remain committed to driving sustainable growth and creating long-term value for our shareholders and stakeholders.

The financial statements attached to this report, which have been prepared on the going concern basis, were analysed by the Board of Directors, and recommended for approval by the General Assembly held on 23 April 2025.

Signed by the members of the Board of Directors of Servcred Microbanco SA.

Sharon Bwanya

(Chairperson of the Board of Directors)

Blessing Nyakubaya

(Executive Director)

Mara Matias Mangane

(Non-Executive Director)

Luis Gamo Cumbana

(Non-Executive Director)

Dário Magide Mendes Liasse

(Non-Executive Director)

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Report of the Independent Auditors

To the Shareholders of Servcred Microbanco, S.A.

Opinion

We have audited the financial statements of ServCred Microbanco, S.A. (the "Microbank"), which comprise the statement of financial position as at 31 December 2024, and the statements of profit and loss and other comprehensive income, statement of changes in equity, and statement cash flows for the year then ended, as well as the accompanying notes, including a summary of significant accounting policies and other explanatory information set out on pages 16 to 62.

In our opinion, the financial statements present fairly, in all material respects, the financial position of ServCred Microbanco, S.A. as at 31 December 2024, and its financial performance and its cash flows for the year then ended, in accordance with the IFRS® Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards).

Basis of Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Microbank in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (including the International Independence Standards), together with the relevant ethical requirements applicable to our audit in Mozambique. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Statement of Responsibility and the directors report but does not include the financial statements and our auditors' report thereon which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after the date of this report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based on the work performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Microbank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Directors either intend to liquidate the Microbank or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for Auditing Financial Statements

Our objectives are to obtain an assurance of assurance that the financial statements as a whole are free from material misstatement, due to fraud or error, and to issue an audit report that includes our opinion. A guarantee of assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Distortions may result from fraud or error and are considered material if, individually or in the aggregate, they could reasonably influence users' economic decisions made on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

KPMG A registered Audit firm, 04/SCA/OCAM/2014
Represented by:

Abel Jone Guaiaguaia, OCAM No. 04/CA/OCAM/2012
Partner
30 April 2025

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2024

	Note	**2024 MT**	2023 MT
Interest income	*8*	**26 837 080**	13 848 979
Interest expense	*8*	**(4 592 926)**	(670 860)
Net interest income		**22 244 154**	13 178 119
Fee and commission income	*9*	**490 998**	673 057
Fee and commission expense	*9*	**(1 811 911)**	(793 462)
Total income		**20 923 241**	13 057 714
Impairment losses on loans and advances	*6*	**(438 125)**	(874 814)
Net operating income		**20 485 116**	12 182 900
Other income and operating expenses		**(3 503)**	-
General and administrative expenses	*10*	**(26 138 649)**	(9 624 306)
(Loss)/profit before tax		**(5 657 036)**	2 558 594
Income tax expense	*11*	**97 471**	(100 857)
(Loss)/profit for the year		**(5 559 565)**	2 457 737
Other comprehensive income for the year, net of income tax		**-**	-
Total comprehensive (loss)/income for the year		**(5 559 565)**	2 457 737

Certified Accountant

Chief Executive Officer

Statement of financial position
as at 31 December 2024

	Note	**2024 MT**	2023 MT
Assets			
Cash and cash equivalents	*12*	**1 524 537**	1 426 414
Loans and advances to customers	*13*	**55 618 173**	12 492 299
Other advances	*13.1*	**639 000**	4 592 806
Other assets	*14*	**15 156 140**	3 401 622
Property and equipment	*15*	**8 219 227**	10 471 258
Intangible assets	*16*	**3 102 213**	3 499 662
Deferred tax asset	*11*	**1 611 465**	1 513 994
Total assets		**85 870 755**	37 398 055
Equity and Liabilities			
Equity			
Share capital	*17*	**10 000 000**	10 000 000
Supplementary capital	*17*	**23 700 000**	500 000
Legal reserve		**737 321**	737 321
Retained earnings		**384 508**	5 944 073
Total equity		**34 821 829**	17 181 394
Liabilities			
Other liabilities	*18*	**6 239 613**	13 898 407
Current tax payable	*11*	**518 688**	1 576 047
Debt securities in issue	*19*	**24 410 625**	-
Shareholder loans	*20*	**19 880 000**	4 742 207
Total liabilities		**51 048 926**	20 216 661
Total equity and liabilities		**85 870 755**	37 398 055

Certified Accountant

Chief Executive Officer

Statement of changes in equity

For the year ended 31 December 2024

	Share capital MT	Supplementary capital MT	Legal reserve MT	Retained earnings MT	Total MT
Balance at 31 December 2022	**75 000**	**500 000**	**-**	**4 223 657**	**4 798 657**
Repayment of share capital	(75 000)	-	-	-	(75 000)
Issuance of share capital	10 000 000	-	-	-	10 000 000
Total comprehensive income for the year	-	-	-	2 457 737	2 457 737
Transfer to legal reserve	-	-	737 321	(737 321)	-
Balance at 31 December 2023	**10 000 000**	**500 000**	**737 321**	**5 944 073**	**17 181 394**
Issuance of supplementary capital	-	23 200 000	-	-	23 200 000
Total comprehensive loss for the year	-	-	-	(5 559 565)	(5 559 565)
Balance at 31 December 2024	**10 000 000**	**23 700 000**	**737 321**	**384 508**	**34 821 829**

Certified Accountant

Chief Executive Officer

Statement of cash flows

for the year ended 31 December 2024

	Notes	**2024 MT**	2023 MT
Cash flows from operating activities			
(Loss)/profit before tax		**(5 657 036)**	2 558 594
Adjustments for:			
Impairment losses on loans and advances	*6*	**438 125**	874 814
Depreciation and amortisation	*10*	**4 015 920**	2 066 277
Interest income	*8*	**(26 837 080)**	(13 848 979)
Interest expense	*8*	**4 592 926**	670 860
		(23 447 145)	(7 678 434)
Changes in working capital:			
Changes in loans and advances to customers and other advances		**(40 520 333)**	(1 908 523)
Change in other assets		**(11 754 518)**	(490 490)
Change in other liabilities		**(6 287 004)**	8 041 393
Cash flows used in operations		**(82 009 000)**	(2 036 054)
Interest received	*8*	**27 747 220**	10 236 984
Interest paid	*8*	**(2 902 250)**	-
Income tax paid	*11*	**(1 057 359)**	(687 545)
Net cash (used in)/generated from operating activities		**(58 221 389)**	7 643 419
Cash flows from investing activities			
Acquisition of property and equipment	*15*	**(1 341 277)**	(11 477 531)
Acquisition of intangible assets	*16*	**(25 163)**	(3 295 352)
Net cash used investing activities		**(1 366 440)**	(14 772 883)
Cash flows from financing activities			
Other loans repaid		**-**	(6 318 000)
Debt securities issued	*19*	**23 500 000**	-
Supplementary capital issued	*17*	**23 200 000**	10 000 000
Repayment of share capital	*17*	**-**	(75 000)
Shareholder loans raised		**15 137 793**	4 742 207
Payment of lease liability	*21*	**(2 151 841)**	(1 375 920)
Net cash generated from financing activities		**59 685 952**	6 973 287
Net increase/(decrease) in cash and cash equivalents		**98 123**	(156 177)
Cash and cash equivalents at the beginning of the year		**1 426 414**	1 582 591
Cash and cash equivalents at 31 December	*12*	**1 524 537**	1 426 414

Certified Accountant

Chief Executive Officer

1. REPORTING ENTITY

Servcred MicroBanco, S.A ("the MicroBank"), is a MicroBank, specialised in micro-banking to individuals, incorporated in Mozambique since July 2019. It was changed in January 2023 to incorporate more shareholders. In September 2023 the Entity got a license to start operating as a Microbank and in November 2023 the Entity commenced its operations under the new license. Its main activity is the provision of sustainable micro credit to government employees.

The address of its registered office is as follows: Av. Samora Machel, Nr 231, Radio Mozambique Building - R/C, City of Lichinga – Mozambique.

2. BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with IFRS Accounting Standards. They were authorized for issue by the Microbank's Board of Directors on 22 April 2025.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern, as management is satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Meticais (MT), which is the MicroBank's functional currency. All amounts have been rounded to the nearest Metical, unless otherwise indicated.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on continuous basis. Revisions to estimates are recognised prospectively.

A. Judgements Assumptions and estimation uncertainties

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- **Expected credit losses of financial instruments:** establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL. Note 6A(iii).

5. CHANGES IN ACCOUNTING POLICIES

A number of other new standards also became effective on 1 January 2025 but have no material impact on the financial statements of Microbank.

6. FINANCIAL RISK REVIEW

This note presents information about the MicroBank's exposure to financial risks. For information on the MicroBank's financial risk management framework, see Note 23.

A. Credit Risk

For the definition of credit risk and information on how credit risk is mitigated by the MicroBank, see Note 23.2.

i. Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost without taking into account collateral or other credit enhancements. The amounts in the table represent gross carrying amounts.

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MT	**MT**	**MT**	**MT**
Loans and advances to customers	55 666 624	2 108 753	2 910 179	60 685 556
Other advances	639 000	-	-	639 000
Loss allowance	(1 896 052)	(261 151)	(2 910 179)	(5 067 382)
Carrying amount	**54 409 572**	**1 847 602**	**-**	**56 257 173**

31 December 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MT	**MT**	**MT**	**MT**
Loans and advances to customer	12 545 860	2 126 208	3 033 531	17 705 599
Other advances	4 592 806	-	-	4 592 806
Loss allowance	(1 389 281)	(790 488)	(3 033 531)	(5 213 300)
Carrying amount	15 749 385	1 335 720	-	17 085 105

The following table sets out information about the overdue status of loans and advances to customers and other advances in Stages 1, 2 and 3.

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	MT	**MT**	**MT**	**MT**
Current	54 174 578	-	-	54 174 578
Overdue < 30 days	1 492 046	-	-	1 492 046
Overdue > 30 days<90 days	-	2 108 753	-	2 108 753
Overdue 90+ days	-	-	2 910 179	2 910 179
Gross Carrying amount	**55 666 624**	**2 108 753**	**2 910 179**	**60 685 556**

6. FINANCIAL RISK REVIEW (CONTINUED)

A. Credit Risk (continued)

i. *Credit quality analysis (continued)*

31 December 2023	Stage 1	Stage 2	Stage 3	Total
	MT	MT	MT	MT
Current	3 226 650	-	-	3 226 650
Overdue < 30 days	2 148 649	-	-	2 148 649
Overdue > 30 days<90 days	-	7 334 676	-	7 334 676
Overdue 90+ days	-	-	4 995 624	4 995 624
Carrying amount	**5 375 299**	**7 334 676**	**4 995 624**	**17 705 599**

The MicroBank held cash at bank of MT 1 524 537 as at 31 December 2024 (2023: MT 1 426 414). The cash and cash equivalents are held with financial institution counterparties that have regional presence in Africa and good credit ratings.

ii. *Collateral held*

The MicroBank does not hold collateral. However, the loan repayments are deducted at source (payroll deductions). The Microbank also hold, insurance over the loans, which the Microbank can claim in case of a default.

iii. *Amounts arising from ECL*

The following table shows the reconciliation of the opening balances with the closing impairment balances by class. The basis for determining transfers due to changes in credit risk is defined in our accounting policy.

2024	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01 Jan 2024	**1 389 281**	**790 488**	**3 033 531**	**5 213 300**
Transfer to stage 1	-	-	-	-
Transfer to stage 2	506 771	(529 337)	460 691	438 125
Transfer to stage 3	-	-	-	-
Write offs	-	-	(584 042)	(584 042)
Balance at 31 Dec 2024	**1 896 052**	**261 151**	**2 910 180**	**5 067 383**

2023	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 01 Jan 2023	689 192	706 522	2 942 771	4 338 485
Transfer to stage 1	-	-	-	-
Transfer to stage 2	700 089	83 966	-	784 05
Transfer to stage 3	-	-	90 760	90 760
Write offs	-	-	-	-
Balance at 31 Dec 2023	1 389 281	790 488	3 033 531	5 213 300

6. FINANCIAL RISK REVIEW (continued)

A. Credit Risk (continued)

iii. Amounts arising from ECL (Continued)

Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Microbank uses the following criteria for determining whether there has been a significant increase in credit risk:

- qualitative indicators; and
- a backstop of 30 days past due.

Determining whether credit risk has increased significantly

The Microbank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Microbank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as loans on a watch list. Such qualitative factors are based on expert judgment and relevant historical experiences.

As a backstop, the Microbank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Microbank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

6. FINANCIAL RISK REVIEW (continued)

A. Credit Risk (continued)

iii. Amounts arising from ECL (continued)

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Microbank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2 and /or Stage 3).

Definition of default

The Microbank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Microbank in full, without recourse by the Microbank to recovery actions;
- the borrower is more than 90 days past due on any material credit obligation to the Microbank; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Microbank considers indicators that are:

- qualitative: e.g. breaches of covenant; and
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Microbank;

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.
The Microbank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

6. FINANCIAL RISK REVIEW (continued)

A. Credit Risk (continued)

iii. Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

A comprehensive review is performed at least annually on the design of the scenarios obtained from external sources.

The Microbank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. A key driver for credit risk is the GDP growth rate

The economic scenarios used as at 31 December 2024 included the following key indicators for Mozambique for the years ending 31 December 2024 to 2026:

2024	2025	2026
Base	**Base**	**Base**
5.1	4.3	4.5
Optimistic	**Optimistic**	**Optimistic**
6.3	8.2	5.8
Deceleration	**Deceleration**	**Deceleration**
1.6	3.5	4.6

The scenario probabilities applied in measuring expected credit losses are as follows:

On 31 December		**2024**	
	Optimistic	**Base**	**Recession**
Scenario probability weighting	40%	60%	20%

On 31 December		**2023**	
	Optimistic	**Base**	**Recession**
Scenario probability weighting	20%	60%	20%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing Mozambique economic historical data.

6. FINANCIAL RISK REVIEW (CONTINUED)

A. Credit Risk (continued)

iii. Amounts arising from expected credit losses (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 23(b)(vi).

The Microbank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Microbank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

The key inputs into the measurement of ECL have the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and Exposure at default (EAD). Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Microbank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, maturity of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset

EAD represents the expected exposure in the event of a default. The Microbank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Microbank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Microbank considers a longer period. The maximum contractual period extends to the date at which the Microbank has the right to require repayment of an advance.

6. FINANCIAL RISK REVIEW (CONTINUED)

iv. Concentrations of risk

Loans and advances to customer that were past due but not impaired

Loans and advances to customer that were 'past due but not impaired' are those for which contractual interest or principal payments were past due, but the Microbank believed that impairment was not appropriate on the basis of qualitative analysis.

The Microbank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances to customers as well as other advances is shown below:

	2024 MT	2023 MT
Gross Carrying amount	**60 685 556**	17 705 599
Concentration by sector		
Loans to individuals	**60 685 556**	13 418 402
Loans to companies	-	4 287 197

B. Liquidity Risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Microbank, see Note 23.3.

i. Exposure to liquidity risk

The key measure used by the Microbank for managing liquidity risk is the ratio of net liquid assets to funding from third parties. For this purpose, 'net liquid assets' includes cash and cash equivalents. The Microbank is currently funded by borrowings which do not pose any significant liquidity risk.

ii. Maturity analysis for financial assets and liabilities

The following tables set out the remaining contractual maturities of the Microbank's financial assets and liabilities. The maturity analysis has been done based on undiscounted cash flows.

6. FINANCIAL RISK REVIEW (CONTINUED)

ii. Maturity analysis for financial assets and liabilities (continued)

2024	Carrying amount	Gross Carrying Amount	1-12 months	1 to 3 years	3 years or more
Financial assets					
Loans and advances to customers	55 618 173	60 685 556	3 049 348	9 197 372	48 438 836
Cash and cash equivalents	1 524 537	1 524 537	1 524 537	-	-
Other assets	934 557	934 557	934 557	-	-
	58 077 267	**63 144 650**	**5 508 442**	**9 197 372**	**48 438 836**
Financial liabilities					
Other loans	(24 410 625)	(24 410 625)	-	-	(24 410 625)
Other liabilities*	(6 239 613)	(6 239 613)	(6 239 613)	-	-
Shareholder loans	(19 880 000)	(19 880 000)	-	-	(19 880 000)
	(50 530 238)	**(50 530 238)**	**(6 239 613)**	**-**	**(44 290 625)**

2023	Carrying amount	Gross carrying amount	1-12 months	1 to 3 years	3 years or more
Financial assets					
Loans and advances to customer and other advances	12 492 299	17 705 599	1 987 273	11 832 787	3 885 539
Cash and cash equivalents	1 426 414	1 426 414	1 426 414	-	-
Other assets	101 638	101 638	101 638	-	-
	14 020 351	**19 233 651**	**3 515 325**	**11 832 787**	**3 885 539**
Financial liabilities					
Other loans	13 898 407	(13 898 407)	(10 278 570)	(2 720 331)	(899 506)
Current tax	1 576 047	(1 576 047)	(1 576 047)	-	-
Other liabilities*	4 742 207	(4 742 207)	(4 742 207)	-	-
	20 216 661	(20 216 661)	(16 596 824)	(2 720 331)	(899 506)

Other liabilities include payables to suppliers, consultants, employees, tax payable and lease liability. The short-term liquidity mismatch is alleviated by the fact that the shareholder loans and the other borrowings has flexible payment terms.

6. FINANCIAL RISK REVIEW (CONTINUED)

C. Market Risk

For the definition of market risk and information on how the Microbank manages the market risks, see Note 23.4.

i. Exposure to interest rate risk

The following is a summary of the Microbank 's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Microbank 's balance sheet based on the maturity date as all loans have fixed rates.

2024	**Gross Carrying amount**	**1-12 months**	**1 to 3 years**	**3 years or more**
Financial assets				
Loans and advances to customers and other advances	60 685 556	3 049 348	9 197 372	48 438 836
	60 685 556	**3 049 348**	**9 197 372**	**48 438 836**
Financial liabilities				
Other Loans	(24 410 625)	-	-	(24 410 625)
Share holder loans	(19 880 000)	-	-	(19 880 000)
Lease liability	(3 674 482)	(1 118 295)	(2 236 590)	(319 597)
	(47 965 107)	**(1 118 295)**	**(2 236 590)**	**(44 610 222)**

2023	**Gross Carrying amount**	**1-12 months**	**1 to 3 years**	**3 years or more**
Financial assets				
Loans and advances to customer and other advances	17 705`599	1 987 273	11 832 787	3 885 539
	17 705`599	1 987 273	11 832 787	3 885 539
Financial liabilities				
Other loans	(4 742 207)	(4 742 207)	-	-
Lease Liabilities	(5 046 272)	(1 426 435)	(2 720 331)	(899 506)
	(9 788 479)	(6 168 642)	(2 720 331)	(899 506)

6. FINANCIAL RISK REVIEW (continued)

C. Market Risk (continued)

Interest rate sensitivity analysis

The table below illustrates the impact of a possible 200 basis points interest rate movement for the Microbank:

	2024	
	Pre-tax impact on profit before tax	**Post-tax impact on equity**
Change in net interest income (+200 basis points)	254 409	172 998
Change in net interest income (-200 basis points)	(254 409)	(172 998)

	2023	
	Pre-tax impact on profit before tax	**Post-tax impact on equity**
Change in net interest income (+200 basis points)	349 804	237 867
Change in net interest income (-200 basis points)	(349 804)	(237 867)

ii. Exposure to currency risks – non-trading portfolios

As at the reporting date, there were no significant foreign currency exposures in the non-trading portfolios of the Microbank.

D. Capital management

i. Regulatory capital

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

- the Microbank comply with the externally imposed capital requirements set by the Central Bank of Mozambique;
- the Microbank maintains healthy capital ratios in order to support its business; and
- the Microbank has ability to continue as a going concern so that it can continue to provide returns and maximize shareholder's value.

6. FINANCIAL RISK REVIEW (continued)

D. Capital management (continued)

i. Regulatory capital (continued)

The minimum capital requirement for a Microbank is MT 5 000 000. And minimum capital adequacy is 13.41% (2023:8%). The Microbank is in compliance with both of these.

	31 December 2024	
	Value	**%**
Capital	**9 647 403**	**1.00**
Tier one core capital	12 508 248	129.65%
Base (Tier 1)	9 646 705	99.00%
Supplementary	0.70%	0.01%
Credit risk	**70 137 455**	
On balance sheet	70 137 455	
Operational risk	**1 816 922**	
Total risk	**71 954 377**	
Solvency ratio		
Tier 1 core capital		**17.38%**
Tier 1 capital		**13.41%**
Minimum required ratio		**12%**

	31 December 2023	
	Value	**%**
Capital	**8 950 718**	**1.00**
Tier one core capital	13 670 868	152.73%
Base (Tier 1)	8 950 541	100.00%
Credit risk	**35 504 752**	
On balance sheet	35 504 752	
Operational Risk	**1 816 922**	
Total Risks	**37 321 674**	
Solvency ratios		
Core Tier 1 Capital		**36.63%**
Tier 1 Capital		**23.98%**
Required ratio		**8%**

7. FAIR VALUES OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The Microbank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

7. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value (continued)

Management assessed that all financial instruments carrying amounts that approximate their fair values.

2024	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
Loans and advances to customer and other advances	-	-	55 618 173	55 618 173
Other assets	-	-	934 557	934 557
Cash and cash equivalents	-	1 524 537	-	1 524 537
	-	**1 524 537**	**56 552 730**	**58 077 267**
Liabilities				
Share holder loans	-	-	(24 410 625)	(24 410 625)
Other loans	-	-	(19 880 000)	(19 880 000)
Current tax Payables	-	-	(518 688)	(518 688)
Other liabilities	-	(3 674 482)	(2 618 875)	(6 293 357)
	-	**(3 674 482)**	**(47 428 188)**	**(51 102 670)**

2023	**Level 1**	**Level 2**	**Level 3**	**Total carrying amount**
Assets				
Loans and advances to customer and other advances	-	-	12 492 299	12 492 299
Other assets	-	-	601 638	601 638
Cash and cash equivalents	-	1 426 414	-	1 426 414
	-	1 426 414	13 093 937	14 520 351
Liabilities				
Long Term loans	-	-	(4 742 207)	(4 742 207)
Other liabilities	-	(5 046 272)	(8 852 135)	(13 898 407)
Current Tax payable	-	-	(1 576 047)	(1 576 047)
	-	(5 046 272)	(15 170 389)	(20 216 661)

8. Net interest income

	2024 MT	2023 MT
Interest income		
Interest income from loans and advances to customers	**26 837 080**	13 848 979
Interest income calculated using the effective interest method	**26 837 080**	13 848 979
Interest expense(a)	**(4 592 926)**	(670 860)
Net interest income	**22 244 154**	13 178 119

(a) The current year's value refers to interest on debt securities and lease liabilities, whose contracts range from 3 to 5 years.

9. Net fee and commission income

Fees and commission income	**490 998**	673 057

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 are disaggregated by major commission types:

Collection fees	**404 260**	646 200
Early settlement fees	**86 738**	26 857
Total fees and commissions from contracts with customers	**490 998**	673 057

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Microbank recognises revenue when it transfers control over a service to a customer.

These transaction-based fees are charged to the customer's account when the transaction takes place, and the revenue related to transactions is also recognised at the point in time when the transaction takes place.

Fee and commission expense		
Loan agents commission	**1 015 833**	793 462
Guaranties and others	**796 078**	-
	1 811 911	793 462
Net fee and commission		
Fees and commission income	**490 998**	673 057
Fee and commission expense	**(1 811 911)**	(793 462)
Net fee and commission expense	**(1 320 913)**	(120 405)

10. General and administrative expenses

	2024 MT	2023 MT
Depreciation and amortisation	**4 015 920**	2 066 277
Staff costs	**6 118 418**	3 261 940
Office expenses	**4 674 630**	425 895
Legal and professional fees	**9 465 331**	1 826 064
Marketing fees	**298 039**	298 183
Other expenses	**1 566 311**	1 745 947
	26 138 649	9 624 306

11. Taxation

Tax expense based on profit/(loss) for the year		
- Current tax expense	**-**	(878 749)
- Deferred tax income	**97 471**	777 892
	97 471	(100 857)
Reconciliation of tax payable		
Balance at 01 January	**1 576 047**	1 384 843
Additional CIT	**984 571**	-
Tax paid	**(2 041 930)**	(687 545)
Current tax	**-**	878 749
Current tax payable	**518 688**	1 576 047

11. Taxation (continued)

Tax rate reconciliation

(Loss)/profit before tax		**(5 657 036)**		2 558 594
Tax expense at 32%	(32%)	**(1 810 252)**	32%	818 750
Non-deductible Non-taxable income/ (expenses)	6%	**346 679**	(28%)	(717 893)
Current tax	(26%)	**(1 463 573)**	4%	100 857

* **Non-deductible costs:**

Depreciation not accepted	**4%**	**(219 960)**	(7%)	(186 565)
Non-deductible provisions	**1%**	**(43 194)**	(2%)	(40 518)
Advertising expenses beyond legal limits	**0%**	**(8 312)**	(3%)	(70 771)
Unforeseen donations that exceed the limits	**0%**	**-**	(1%)	(15 000)
Fines and compensatory interest	**0%**	**(1 121)**	0%	(4 035)
80% of representation expenses	**0%**	**(6 358)**	(4%)	(104 045)
Fuel consumed in excess	**0%**	**(960)**	(2%)	(38 403)
50% of the costs incurred with light passenger vehicles	**0%**	**-**	0%	(5 061)
Depreciation of right-of-use assets	**1%**	**(66 774)**	(10%	(253 495)
	6%	**(346 679)**	(28%	(717 893)

The Mozambican Tax Authority does not confirm the provision or settlement of the tax. These assessments remain open for a period of 5 years, during which the tax authorities can assess or examine them. The administrators are of the opinion that no significant adjustment of these assessments by the tax authorities will result.

Movement in deferred tax assets
2024

	Opening Balance	**Recognition/derecognition) in profit or loss**	**Deferred tax asset**
Loan Loss Allowance	1 534 961	(1 534 961)	-
Tax losses	-	1 463 572	1 463 572
IFRS 16 – Leasing	(20 967)	168 859	147 892
Total	**1 513 994**	**97 471**	**1 611 465**

11. Taxation (continued)

During the current year, the Microbank reassessed the recognition of deferred tax assets arising from temporary differences related to provisions for credit losses. These differences result from the application of IFRS 9 for financial reporting purposes and more conservative provisioning regulatory requirements imposed by the central bank.

Historically, a deferred tax asset was recognized on the excess of regulatory provisions over IFRS-based provisions, on the basis that this difference was expected to reverse in future periods. However, based on recent experience and internal projections, management has determined that it is unlikely that this temporary difference will reverse in the foreseeable future, due to the persistent excess of regulatory provisions.

Consequently, the Microbank derecognized a deferred tax asset of MT 1 534 961, which was recognized as an income tax expense in the current year's statement of profit or loss.

This decision is in line with IAS 12, which allows deferred tax assets to be recognized only to the extent that it is probable that future taxable profits will be available to use the deductible temporary differences.

2023

	Opening Balance	Recognition/(derecognition) on the profit or loss	Deferred tax asset
	MT	MT	MT
Loan Loss Allowance	736 101	798 860	1 534 961
IFRS 16 – Leasing	-	(20 967)	(20 967)
Total	736 101	777 893	1 513 994

12. Cash and cash equivalents

	2024	2023
	MT	MT
Bank balances (current deposits)	**1 524 537**	1 426 414
	1 524 537	1 426 414

13. Loans and advances to customers

	2024 MT	2023 MT
Gross loans and advances to customers	**60 685 556**	17 705 599
Impairment allowance	**(5 067 383)**	(5 213 300)
Carrying amount	**55 618 173**	12 492 299
Gross loans and advances to customers maturity analysis		
Up to 1 year	**3 049 348**	4 417 853
Over 1 year to 3 years	**9 197 372**	9 656 786
Over 3 years to 5 years	**48 299 596**	3 630 960
Over 5 years	**139 240**	-
	60 685 556	17 705 599

13.1 Other advances

Other advances to related parties (i)	-	1 103 588
Other advances to third parties (ii)	-	3 489 218
Other advances	**639 000**	-
	639 000	4 592 806

(i) This balance refers to advances made to future shareholders, granted during the capital increase process and transition from the microcredit license to a Microbank, with the aim of financing said process. These advances do not earn interest and do not have a fixed term for repayment. This balance is expected to be converted into shareholder loans when the microcredit-to-Microbank transition process is completed and ServCred obtains the Microbank license. Below is the detail:

Sergio Matsinhe	-	325 000
Frederico Muianga	-	175 000
Blessing Nyakubaya	-	603 588
	-	1 103 588

(ii) Other advances:

Pro Sales	-	3 489 218
Rent deposits - Lichinga headquarters & Gloria Mall	639 000	-
	639 000	4 592 806

14. Other assets

	2024	2023
	MT	MT
Prepaid expenses	-	993 425
Deferred commissions(a)	13 925 880	1 806 558
Ohers	1 230 260	101 638
Security deposits	-	500 001
	15 156 140	3 401 622

(a) Deferred commissions are expenses that have already been paid but which have not yet been charged to the statement of profit or loss. The cost is recorded as an asset until such time as the underlying interest income is recognisable at which point the cost is charged to the statement of profit or loss according to the interest recognition curve. Deferred commissions usually relate to fees paid to sales agents in connection with loan origination. These commissions are amortized over the expected life of the respective loans, consistent with the pattern of revenue recognition.

15. Property and equipment

	Computer equipment MT	Furniture and accessories MT	Office Equipment MT	Leasehold improvements MT	Vehicles MT	Right-of-use assets MT	Assets under construction MT	Total MT
Cost								
Balance 01 January 2023	281 139	115 401	22 441	626 921	599 097	-	-	1 644 999
Additions	228 770	1 398 285	1 140 219	1 230 230	-	5 751 332	1 728 695	11 477 531
Balance 31 December 2023	**509 909**	**1 513 686**	**1 162 660**	**1 857 151**	**599 097**	**5 751 332**	**1 728 695**	**13 122 530**
Balance 01 January 2024	509 909	1 513 686	1 162 660	1 857 151	599 097	5 751 332	1 728 695	13 122 530
Additions	259 904	369 845	352 547	358 981	-	-	-	1 341 277
Transfers	-	-	-	1 728 695	-	-	(1 728 625)	-
Balance 31 December 2024	**769 813**	**1 883 531**	**1 515 207**	**3 944 827**	**599 097**	**5 751 332**	-	**14 463 807**
Accumulated depreciation								
Balance on 01 January 2023	(211 743)	(55 549)	(14 967)	(244 522)	(149 774)	-	-	(676 555)
Depreciation for the year	(156 701)	(290 482)	(204 958)	(214 247)	(149 774)	(958 555)	-	(1 974 717)
Balance 31 December 2023	**(368 444)**	**(346 031)**	**(219 925)**	**(458 769)**	**(299 548)**	**(958 555)**	-	**(2 651 272)**
Balance 01 January 2024	(368 444)	(346 031)	(219 925)	(458 769)	(299 548)	(958 555)	-	(2 651 272)
Depreciation for the year	(184 303)	(570 816)	(425 682)	(682 276)	(149 774)	(1 580 457)	-	(3 593 308)
Balance 31 December 2024	**(552 747)**	**(916 847)**	**(645 607)**	**(1 141 045)**	**(449 322)**	**(2 539 012)**	-	**(6 244 580)**
Carrying amount								
As at 01 January 2023	69 396	59 852	7 474	382 399	449 323	-	-	968 444
As at 31 December 2023	141 465	1 167 655	942 735	1 398 382	299 549	4 792 777	1 728 695	10 471 258
As at 31 December 2024	**217 066**	**966 684**	**869 600**	**2 803 782**	**149 775**	**3 212 320**	-	**8 219 227**

16. Intangible assets	Trademarks and Patents	Software	Pre-Incorporation costs	Total
	MT	MT	MT	MT
Cost				
Balance on 01 January 2023	18 338	448 648	-	466 986
Additions	-	-	3 295 352	3 295 352
Balance as of 31 December 2023	**18 338**	**448 648**	**3 295 352**	**3 762 338**
Balance on 01 January 2024	18 338	448 648	3 295 352	3 762 338
Additions	25 163	-	-	25 163
Balance as at 31 December 2024	**43 500**	**448 648**	**3 295 352**	**3 787 500**
Accumulated amortization				
Balance on 01 January 2023	(5 715)	(165 401)	-	(171 116)
Amortizations for the year	(1 830)	(89 730)	-	(91 560)
Balance as of 31 December 2023	**(7 545)**	**(255 131)**	**-**	**(262 676)**
Balance as of 01 January 2024	(7 545)	(255 131)	-	(262 676)
Amortizations for the year	(3 344)	(89 730)	(329 538)	(422 612)
Balance as at 31 December 2024	**(10 889)**	**(344 861)**	**(329 538)**	**(685 288)**
Carrying amount:				
As at 01 January 2023	12 623	283 247	-	295 870
As at 31 December 2023	10 793	193 517	3 295 352	3 499 662
As at 31 December 2024	**32 611**	**103 787**	**3 295 352**	**3 102 213**

7. Share capital

Authorised and issued share capital

	%	2024 MT	%	2023 MT
Frederico Muianga	**1.5%**	**150 000**	**1.5%**	150 000
Sergio Matsinhe	**1.5%**	**150 000**	**1.5%**	150 000
Blessing Nyakubaya	**97%**	**9 700 000**	**97%**	9 700 000
	100%	**10 000 000**	**100%**	10 000 000
Supplementary capital - Frederico Muianga		**500 000**		500 000
Supplementary capital - Blessing Nyakubaya		**23 200 000**		-
		23 700 000		500 000
		37 000 000		10 500 000

Supplementary capital refer to the regulatory deposit of 5% of the planned initial capital which was required as part of the licence transformation procedures, which the shareholders decided to convert into capital, subject to the prior approval of the Central Bank. The supplementary capital has not yet received the prior approval of the Central Bank.

18. Other liabilities

	2024 MT	2023 MT
Trade payables	**544 831**	6 189 648
State payables	**706 242**	523 155
Provisions	**371 880**	2 139 332
Lease liabilities (Note 21)	**3 674 482**	5 046 272
Other	**942 178**	-
	6 239 613	13 898 407

19. Debt securities in issue

	2024 MT	2023 MT
At amortized cost	**24 410 625**	-
	24 410 625	-
Corporate bonds at amortized cost		
Floating rate	**21 508 375**	-
Fixed rate	**2 902 250**	-
	24 410 625	-

The Microbank issued 235 000 registered bonds with a nominal value of 100.00MT per bond and an issue price of 100.00MT (subscribed by 3 subscribers).

The interest rate for the first coupon is set at 24.70%. The nominal interest rate applicable to the 2nd and subsequent coupons will be variable. The interest rate will be calculated by adding the Prime Lending Rate of the Mozambican Financial System and a margin of 2% (PLRSF + 2%).

The Microbank did not record any principal or interest defaults or other defaults in relation to these debt securities during the year ended 31 December 2024.

20. Shareholder loans

	2024 MT	2023 MT
Blessing Nyakubaya	19 630 000	4 742 207
Frederico Muianga	250 000	-
	19 880 000	4 742 207

The shareholder loans are interest free and do not have specified repayment terms. The loans are unsecured and subordinated to senior debt instruments.

21. Leases

The Company leases the premises of the head office and branches. Lease contracts have a duration of 3 to 5 years, with the option to renew.

Right-of-use assets are related to leases and are included in property and equipment.

	2024	2023
	MT	MT
Balance on 01 January	**4 792 777**	-
Additions	**-**	5 751 332
Depreciation for the year	**(1 580 457)**	(958 555)
Balance at 31 December	**3 212 320**	4 792 777

Amount recognized in profit or loss

Interest on lease liability	**780 051**	670 860
	780 051	670 860

The reconciliation of the lease liability is as follows:

Balance on 01 January	**5 046 272**	-
Additions	**-**	5 751 332
Payments	**(2 151 841)**	(1 375 920)
Interest on lease liability	**780 051**	670 860
Balance at December 31	**3 674 482**	5 046 272

22. Related parties

The following are related party transactions and balances:

Loans to shareholders

Sergio Matsinhe	-	325 000
Frederico Muianga	-	175 000
Blessing Nyakubaya	-	603 588
	-	1 103 588

22. Related parties (Continued)

Shareholder loans	2024 MT	2023 MT
Blessing Nyakubaya	**19 630 000**	4 742 207
Frederico Muianga	**250 000**	-
	19 880 000	4 742 207

Key management personnel

The key management personnel are the members of Servcred's board of directors. Non-executive directors are included in the definition of key managers, as required by IFRS. The definition of key management includes the close family members of the key management personnel and any entity over which key management exercises control or joint control. Close family members are family members who can be expected to influence, or be influenced by, that person in their dealings with Servcred.

They may include the partner and children, the children of the key management's partner, and the dependents of the key manager or partner.

As of December 31, 2024, ServCred has a balance of MT 1 478 000 (2023: MT 1 478 000) related to Shareholder Professional Fees.

23. FINANCIAL RISK MANAGEMENT

23.1. Introduction and overview

The Microbank has exposure to the following risks from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risks.

i. Risk management framework

The Directors have overall responsibility for the establishment and oversight of the Microbank's risk management framework.

Sound risk management is integral to the success of the Microbank and plays a crucial role in enabling management to operate more effectively in a changing environment. It has evolved into one of the Microbank's core capabilities and is integral to the evaluation of strategic alternatives and the setting of objectives all within a risk management framework.

The Board of Directors is ultimately responsible for any loss suffered by the Microbank. Risk taking in an appropriate manner is an integral part of business and success relies on optimising the trade-off between risk and reward. The risks arising from financial instruments to which the Microbank is exposed are financial risks which includes credit risk, liquidity risk and market risks.

23.2. Credit risk

Credit risk is the risk that the Microbank may suffer financial loss should any of the Microbank's customers, clients or market counter-parties fail to honour their contractual obligations to the Microbank. The credit risk that the Microbank faces arises mainly from consumer loans and advances and bank balance. The Microbank has policies, procedures and processes dedicated to controlling and monitoring risk from all such activities.

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

Maximum exposure to credit risk per class of financial asset

For financial assets recognised in the statement of financial position, the exposure to credit risk equals the carrying amount.

23 FINANCIAL RISK MANAGEMENT (continued)

23.3. Liquidity risk

Liquidity risk is the risk that the Microbank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk the Microbank is funded primarily by shareholder loans.

The Microbank's Directors sets the Microbanks's strategy for managing liquidity risk and oversight of the implementation is administered by management.

The Microbank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when they are due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Microbank's reputation. The key elements of the Microbank's liquidity strategy are as follows:

- Monitoring maturity mismatches behavioural characteristics of the Microbank's financial assets and financial liabilities and the extent to which the Microbank's assets are encumbered and so not available as potential collateral for obtaining funding.
- Stress testing of the Microbank's liquidity position against various exposures events.

23.4. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates foreign exchange rates.

23.4.1.Interest rate risk

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

Financial instruments with cash flow interest rate risk comprise loans and advances to customers. The interest rate applied in loans and advances to customers are based on the Mozambique prime lending rate which is a variable interest rate.

23.4.2.Currency risk

The Microbank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.
The exchange rates against the Metical used for the translation of balances denominated in foreign currency are as follows:

	31 December 2024	**31 December 2023**
US Dollar	63.91	63.90

23. FINANCIAL RISK MANAGEMENT (continued)

23.5. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or lead to financial loss. The Microbank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks the Microbank is able to manage the risks. Controls include effective segregation of duties, access authorisation and reconciliation procedures staff education insurance where this is effective compliance with regulatory and other legal requirements ethical and business standards and assessment processes.

24. SUMMARY OF MATERIALACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These polices have been consistently applied to all the years presented.

a) Foreign currency

Transactions in foreign currency are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the middle closing exchange rate ruling at the reporting date and differences on translation are recognised in profit or loss in the period to which they relate. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost are translated at the foreign exchange rate ruling at the date of the transaction.

b) Financial assets and financial liabilities:

i. Recognition and initial measurement

The Microbank initially recognises loans and advances to customers on the date on which they are originated. All other financial instruments are recognised on the trade date which is the date on which the Microbank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus for an item not at FVTPL transaction costs that are directly attributable to its acquisition or issue.

ii. Classification of Financial assets

On initial recognition a financial asset is classified as measured at: amortised cost FVOCI (fair value through other comprehensive income) or FVTPL (fair value through profit or loss).
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial assets and financial liabilities (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

Business model assessment

The Microbank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured.at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

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

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

iii. Classification of Financial assets (continued)

In assessing whether the contractual cash flows are SPPI the Microbank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Microbank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Microbank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Microbank holds a portfolio of long-term fixed-rate loans for which the Microbank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Microbank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Microbank changes its business model for managing financial assets.

Financial liabilities

The Microbank classifies its financial liabilities, other than financial guarantees and loan commitments as measured at amortised cost or FVTPL.

iv. Derecognition

Financial assets

The Microbank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Microbank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

Financial liabilities

The Microbank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

v. ***Modifications of financial assets and financial liabilities***

Financial *assets*
If the terms of a financial asset are modified, then the Microbank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Microbank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Microbank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

Financial liabilities

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

liability is not accounted for as derecognition then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the

resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

vi. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when and only when the Microbank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a Microbank of similar transactions such as in the Microbank's trading activity.

vii. Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence the most advantageous market to which the Microbank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

Fair value measurement (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Microbank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.
If an asset or a liability measured at fair value has a bid price and an ask price, then the Microbank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Microbank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.
The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand discounted from the first date on which the amount could be required to be paid.
The Microbank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

viii. Impairment

See also Note 6 A(iii)
The Microbank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

Impairment (continued)

The Microbank measures loss allowances at an amount equal to lifetime ECL except for the following for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date.

The Microbank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Microbank does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Microbank expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Microbank if the commitment is drawn down and the cash flows that the Microbank expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Microbank expects to recover.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)
Impairment (continued)

Restructured financial assets

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

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date the Microbank assesses whether financial assets carried at amortised are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Microbank on terms that the Microbank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

b) Financial assets and financial liabilities (continued)

Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Microbank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Microbank's procedures for recovery of amounts due.

c) Interest

i. Effective interest rate

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

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

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Microbank estimates future cash flows considering all contractual terms of the financial instrument but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

c) Interest (continued)

ii. Amortised cost and gross carrying amount

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

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

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins. However, for financial assets that have become credit-impaired subsequent to initial recognition interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired then the calculation of interest income reverts to the gross basis.
For financial assets that were credit-impaired on initial recognition interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset improves. For information on when financial assets are credit-impaired.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Other interest income presented in the statement of profit or loss and OCI includes interest income on finance leases. Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

d) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Microbank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Microbank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Net trading income includes gains and losses arising from transactions in foreign currency and translation of foreign currency monetary items.

e) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand and cash at bank.

f) Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

ii. Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Microbank. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

	Years
Computer Equipment	3
Furniture & Fittings	3
Office Equipment	3
Motor vehicles	5

For the purpose of determining the depreciable amount for property and equipment the residual value was estimated as nil.

Depreciation methods useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Intangible assets

Trademarks & Patents

Trademarks & Patents acquired by the Microbank are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as they are incurred.

G) Intangible assets

Intangible assets are amortised on a straight-line basis in profit or loss over the estimated useful life from the date on which it is available for use. The estimated useful life of intangible for the current and comparative periods is ten years.

Amortisation methods useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Leases

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

Microbank has no lease agreement acting as lessor.

i) Impairment of non-financial assets

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

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

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

j) Income tax

i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full then future taxable profits adjusted for reversals of existing temporary differences are considered based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects at the reporting date to recover or settle the carrying amount of its assets and liabilities.

24. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are offset only if the following criteria is met:

- the entity has a legally enforceable right to set off current tax liabilities and assets; and the deferred tax liabilities and assets relate to income taxes levied by the same tax authority on either:
- the same taxable entity; or different taxable entities but these entities intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously for each future period in which these differences reverse.

k) Employee benefits

Defined benefit plans

Obligations for contributing to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash return or a reduction in future payment is available.

The defined contribution to National Social Security System is generally funded by payments from employees (3% of gross salary) and the Microbank (4% of gross salary). The Microbank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

l) Share Capital

Incremental costs directly attributable to the issue of ordinary shares net of any tax effects are recognized as a deduction from equity.

m) Loans and advances to customers

The 'loans and advances to customers' caption in the statement of financial position includes loans and advances measured at amortised they are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method.

25. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2025 and their early application is permitted, however Microbank has not early adopted them in the preparation of these financial statements.

a) Amendments to IAS 21 - Lack of Convertibility

The amendments clarify when one currency is considered exchangeable for another and how a company should estimate a spot rate when a currency is not exchangeable.

Assessing currency exchangeability: When to estimate a spot rate

25. STANDARDS ISSUED BUT NOT YET ADOPTED (continued)

A currency is considered exchangeable for another when a company is able to exchange it for the other currency on the measurement date and for a specific purpose. When the currency is not exchangeable, the company must estimate a spot rate.

Estimating a spot rate: Fulfilling the objective of the estimate

A company's objective in estimating a spot rate is to ensure that this rate reflects the value at which an orderly exchange transaction would occur on the measurement date between market participants, considering the prevailing economic conditions. The amendments do not establish specific requirements on the spot rate estimation method.

Therefore, when estimating a spot rate, the company can use: an observable exchange rate, without adjustments; or another estimation technique.

It is not expected to have a material impact on Microbank's financial statements.

b) IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 - Presentation of Financial Statements and will apply to annual periods beginning on or after 1 January 2027. The new standard introduces the following fundamental requirements:

- Entities must classify all income and expenses into five categories in the income statement: operating, investing, financing, discontinued operations and income tax. Entities must also present the subtotal of operating income, as recently defined. The entities' net profit will not be changed.

- Management-Defined Performance Measures (MPM) must be disclosed in a single note in the financial statements.

- Improved guidance is provided on how to group the information in the financial statements.

- It is not expected to have a material impact on Microbank's financial statements.

c) Other accounting standards

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Restrictive Covenants

- Amendments to IFRS 16 - Lease Liabilities in a Sale and Leaseback Transaction

- Amendments to IAS 7 and IFRS 7 - Vendor Finance Arrangements

- IFRS 19 - Subsidiaries without Public Liability: Disclosures