Mozambican Banks

Net Profit Driven by Higher Interest Rates

Research
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Banking
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Challenging macro environment persists

The Mozambican banking sector continued to face a challenging economic backdrop in 2017, with real GDP growth slowing to historically low levels of 3.7% mainly as a result of lower domestic demand. This was due to weaker public investment levels, lower availability of credit, a reduction in consumer purchasing power and falling confidence levels of both consumers and companies. As in 2015-16, the central bank continued to raise interest rates in the first part of the year to contain inflationary pressures, lifting its benchmark interest rate to historical highs of 23.25% in March. More positively, a favorable political environment contributed to some stabilization of the metical while a slowdown in inflation levels eventually allowed the central bank to partly reverse its highly restrictive monetary policy with a total of four rate cuts in the year placing the key rate at 20.50% by end-2017.

Net profit nearly trebles in 2017

Despite the adverse economic environment, the combined net profit of the six largest banks operating in the country (accounting for 85-90% of the sector's total assets, loans and deposits) improved significantly. Bottom-line growth was mostly boosted by a strong increase in revenues (25% YoY) that clearly offset the impact of a more modest rise in costs (5% YoY) and lower headwinds from loan impairments. This allowed ROE and ROA to reach multi-year highs of 18.4% and 3.10%, respectively.

Robust operating performance offsets higher loan provisions

Most banks said that their robust revenue performance was due to a sharp increase in net interest income, as a larger exposure to treasury instruments yielded attractive profitability levels in the current high interest rate environment. However, they also said that non-interest income like fees and other banking income were pressured by a weaker economic activity that led to a lower number of transactions during the year. Meanwhile, banks continued to expand their branch network and hire more staff, but at a slower pace than in previous years. The sector's cost performance also reflected some stabilization of the metical as some expenses are indexed to foreign currency. Overall, the combined cost-to-income ratio of these banks declined to 48.5% from 58.2% in 2016. Below the operating income line, loan impairments rose once again at a strong pace after more than doubling in 2016, as cost of risk stood at 379bps (vs. 255bps in 2016). Net profit was also impacted by lower other provisions and a more modest increase in taxes (effective tax rate stood at only 23.8% vs. 45.3% in 2016).

Macro conditions and high interest rates hit asset quality

The combined net assets of these banks advanced at a much slower pace (4.7% vs average of c20% in 2010-16). This resulted from a sharp decline in the loan portfolio of all banks, as both loans in meticais and in FX saw a sharp contraction (-17% and -19%, respectively). Most banks said this reflected a lower demand from their clients, as demand was clearly affected by the high interest rate environment. Provisions in the balance sheet continued to rise rapidly (22.9% after surging 66.9% in 2016) due to the loan growth in recent years and a further (although more muted) deterioration in asset quality levels. The total NPL ratio reached 6.76%, up from 5.42% in 2016 (and c3% in the years prior to that). This is explained by the weaker economy since the second half of 2016 as well as the impact from higher interest rates on household affordability levels. All in all, the combined solvency ratio of the six banks recouped quite significantly to 19.3% (from 5.5% in 2016) after the recapitalization of Moza Banco in 2017 and stood well above the regulatory requirement of 12%.

MOZAMBICAN BANKING SECTOR

There are currently 19 banks registered at the Banco de Moçambique

The Mozambican banking sector includes 19 banks registered at the Banco de Moçambique, the central bank. None of these banks is listed and most of them are units of foreign lenders or controlled by international investors. The financial system is also composed of nine smaller lenders (micro-banks), eight credit cooperatives and nearly 430 microfinance operators, which, for a country with a population of about 27 million, is quite significant when compared with other countries in the African continent.

MOZAMBICAN BANKING SYSTEM	Start of Operations	Majority Shareholder
Standard Bank Moçambique	1967	Standard Bank (South Africa)
Millennium bim	1995	Millenniumbcp (Portugal)
BCI - Fomento	1996	CGD Group (Portugal)
Socremo - Banca de Microfinanças	1998	AfriCap Microfinance Investment Company (Mauritius)
Société Générale Moçambique (1)	1999	Société Générale (France)
African Banking Corporation (Moçambique)	1999	BancABC (Botswana)
Ecobank Moçambique (2)	2000	Ecobank Group (Togo)
Opportunity Bank (3)	2005	Opportunity Transformation Investments Inc. (USA)
Barclays Bank Moçambique	2005	Absa Group (South Africa)
FNB Moçambique	2007	First Rand Group (South Africa)
Moza Banco	2008	Moçambique Capitais (Mozambique)
Banco Terra	2008	Rabobank (Netherlands)
United Bank for Africa Moçambique	2010	UBA (Nigeria)
Banco Mais (4)	2010	Geocapital (Portugal / Macau)
Banco Nacional de Investimento	2011	IGEPE (Mozambique)
Banco Único	2011	Nedbank (South Africa)
Banco Letshego	2011	Letshego Holdings (Botswana)
Capital Bank	2013	FMB Group (Malawi)
BIG - Banco de Investimento Global	2016	Banco BIG (Portugal)

(1) Previously denominated Mauritius Commercial Bank (Moçambique); (2) Ecobank bought Banco ProCredit in June 2014;
(3) Previously denominated Banco Oportunidade de Moçambique; (4) Previously denominated Banco Tchuma.
Sources: Annual Reports and Eaglestone Securities.

Banks

Mozambican banks have benefitted from a favorable economic environment and rapid credit growth for more than a decade, recording attractive profitability levels during this period. Asset quality ratios have also been at low single-digits and solvency levels have clearly exceeded regulatory requirements. However, the sector has been under severe pressure during 2016-17 as a result of the deceleration in economic activity in the country and also an existing shortage of dollars. Banks have been further impacted since 2016 by the announcement that three state-owned companies held previously undisclosed debts amounting to almost US$ 2 billion (nearly 20% of GDP), as some of them held part of this debt.

The central bank had to intervene in four financial institutions in a ten-month period, closing down three of these institutions

The central bank had to intervene in four financial institutions in a ten-month period, with three of them ceasing operations after seeing their banking licenses revoked. These players were O Nosso Banco SA, Microbanco Fides Moçambique SA and Caixa Cooperativa de Crédito SA. Moza Banco, one of the largest banks in the country, also had to be intervened by the central bank after seeing its financial and prudential situation seriously aggravated in 2016. The central bank suspended the existing management and named an interim board of directors. Then after a failed recapitalization plan by its shareholders, the Banco de Moçambique injected MZM 8,170 million into the bank to prevent its collapse and avoid serious repercussions for the country's financial system. At the end of May 2017, Banco de Moçambique announced that it was selling Moza Banco to Kuhanha, an entity that manages the central bank's pension fund.

Banco de Moçambique introduced new capital and liquidity rules aimed at strengthening the country's financial system

After this series of events, the Banco de Moçambique announced that it was introducing new capital and liquidity rules aimed at strengthening the local financial system. First, the central bank lifted the regulatory required solvency ratio to 12% (from 8% previously) and Tier 1 to 10%. And second, the central bank now requires financial institutions to have a daily liquidity ratio (calculated as the ratio of liquid assets over short-term liabilities) of no less than 25%, with this ratio to be reported on a daily basis. The Banco de Moçambique governor stated that these measures might lead to consolidation in the sector or force financial institutions to change their operating models.

Local banks will now be required to provide more information to the market on a more regular basis

The central bank also announced that financial institutions would now be required to disclose more information on a more regular basis in order to improve transparency in the sector. In particular, banks will have to release their solvency ratios and information about their credit, market and operational risks every semester. They will also be required to provide information about their capital, asset quality, efficiency, profitability and liquidity situation every quarter.

OVERVIEW OF 2017 RESULTS

In this report, we look at the 2017 financial accounts of the six largest banks operating in Mozambique and extrapolate these figures in order to try to analyze the main trends for the sector. These banks are Banco Comercial e de Investimento, Millennium bim, Standard Bank Moçambique, Barclays Bank Moçambique, Moza Banco and Banco Único. They represent about 85-90% of the sector's total assets, loans and deposits. Therefore, we think the combined accounts of these banks provide a fairly accurate picture of the performance of the sector.

We analyze the 2017 results of the six largest banks operating in Mozambique

SIX MAJOR BANKS - 2017	Million									
	Assets		Loans		Deposits		Net Profit		Branches	Employees
	MZM	US$	MZM	US$	MZM	US$	MZM	US$		
BCI - Fomento	154,556	2,619	72,411	1,227	113,002	1,915	2,334	39.5	195	2,925
Millennium bim	137,331	2,327	61,413	1,041	99,622	1,688	6,161	104.4	186	2,476
Standard Bank Moçambique	87,428	1,481	22,013	373	65,729	1,114	5,595	94.8	40	1,172
Barclays Bank Moçambique	29,912	507	10,288	174	21,400	363	1,103	18.7	51	828
Moza Banco	26,676	452	15,281	259	17,960	304	-1,459	-24.7	53	732
Banco Único	24,154	409	10,769	182	19,934	338	521	8.8	20	562

Source: Annual Reports and Eaglestone Securities.

We break our report into two sections. First, we look at the main balance sheet and profit and loss account numbers on a combined basis. We also present the key ratios for both financial statements. Second, we look at each of the six banks individually in more detail and analyze their 2017 results separately. In the annex, we provide several tables and graphs comparing the key figures and indicators for these banks.

We look at the figures both on a combined and individual basis

BALANCE SHEET

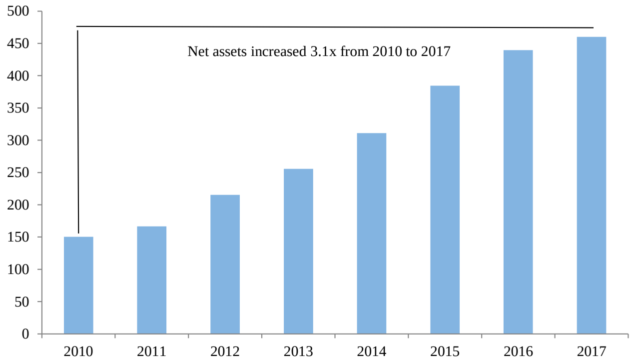
The combined assets of these six banks reached MZM 460,058 million (US$ 7,795 million) in 2017, a 4.7% increase from the previous year. This growth rate is significantly lower than the near 20% annual average recorded during the period 2010-16 and resulted, in large part, from a sharp decline in net loans last year. Indeed, the combined loan portfolio of these six banks fell 17.7% YoY to MZM 192,176 million, with both loans in meticais and those denominated in foreign currency witnessing a strong contraction (-17% and -19.1%, respectively) in the period. Most banks stated that this decline in loans reflected a lower demand from their customers that resulted from a high interest rate environment and an increased focus toward the investment in treasury instruments that have yielded attractive profitability levels.

Net assets advanced by a more modest 4.7% last year, reflecting a decline in the loan portfolio

Overall, the combined net loans of these six banks accounted for 41.8% of their assets in 2017, which is well below the levels in recent years (above 50%) while loans denominated in local currency continued to account for more than two-thirds of their total loan portfolio.

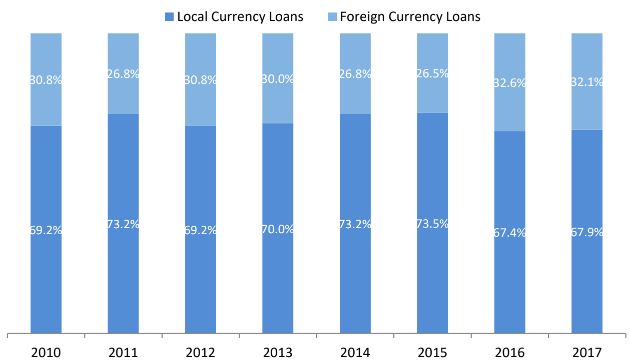
Net loans were only 41.8% of total assets while loans in meticais still represented more than 2/3 of the total

NET ASSETS (2010-17) – BILLION MZM



Sources: Annual Reports and Eaglestone Securities.

LOANS BY TYPE OF CURRENCY (2010-17)



Sources: Annual Reports and Eaglestone Securities.

Loan loss provisions in the balance sheet continued to advance at a rapid pace (22.9% YoY) after surging 66.9% in 2016. These represented 7.65% of total gross loans, which compares with 5.26% in the previous year. These higher provisioning levels reflect the deterioration in

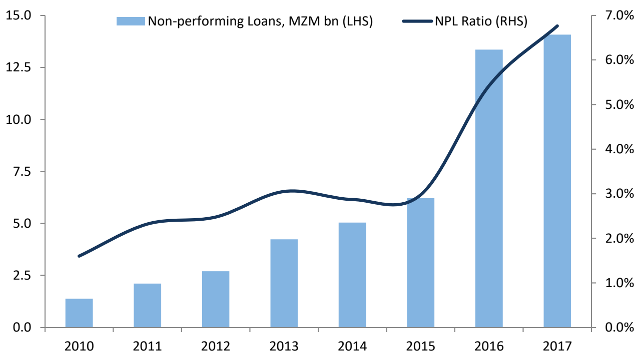
Provisions in the balance sheet rose markedly on the back of the deterioration in asset quality ratios and the asset quality ratios, particularly in 2016-17, as well as the strong loan growth recorded over the years (CAGR of 12.4% in the period 2010-17).

strong loan growth over the years

Indeed, the combined NPL ratio of these six banks reached 6.76% last year, up from 5.42% in 2016 (and around 3% in the years prior to that). This was mostly due to the sharp deceleration in economic activity in the country, especially since the second half of 2016, and the impact from higher interest rates on household affordability levels. In absolute terms, NPLs were up 5.4% YoY after more than doubling in 2016. The NPL coverage ratio (measured by provisions over NPLs) stood at 113.2% in the period (vs. 97.1% in 2016).

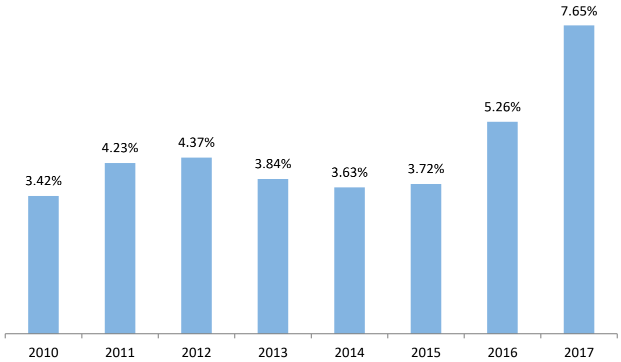
Asset quality ratios deteriorated significantly, reflecting the slowdown in economic activity and the impact of higher interest rates on affordability levels

ASSET QUALITY INDICATORS (2010-17)



Sources: Annual Reports and Eaglestone Securities.

BAL. SHEET PROVISIONS (% OF GROSS LOANS) (2010-17)

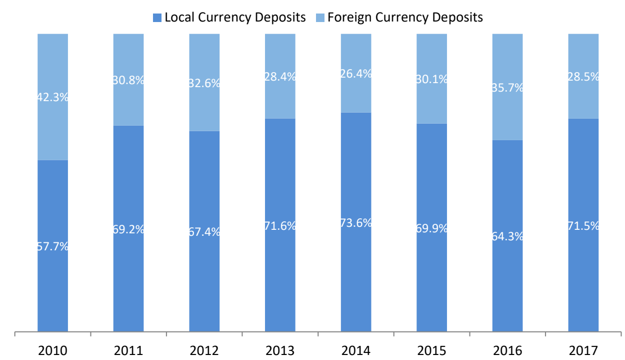


Sources: Annual Reports and Eaglestone Securities.

Meanwhile, total deposits of these six banks expanded at a softer rate (6.1% vs. 10.9% in 2016 and 24.8% in 2015), reaching MZM 337,647 million (US$ 5,721 million). Deposits are clearly the main source of funding of the sector, as they represented 88.2% of total liabilities. Deposits in meticais expanded 18.1% and accounted for 71.5% of the total deposit base, while deposits denominated in foreign currency fell 15.4% after recording strong growth rates in the previous two years. Moreover, sight deposits represented 61.2% of total deposits, a figure that has not changed much over the last eight years.

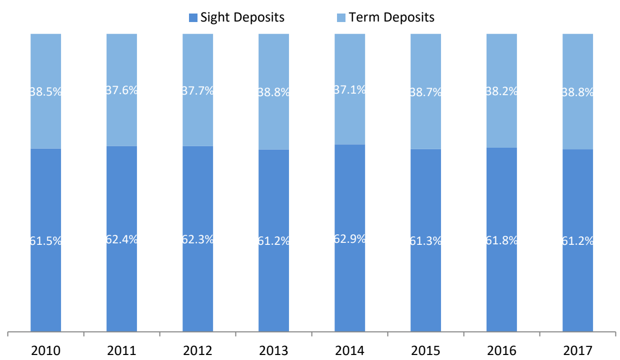
Deposit growth continued to decelerate with deposits in foreign currency actually falling (after seeing a strong expansion in the previous two years)

DEPOSITS BY TYPE OF CURRENCY (2010-17)



Sources: Annual Reports and Eaglestone Securities.

DEPOSITS BY MATURITY (2010-17)

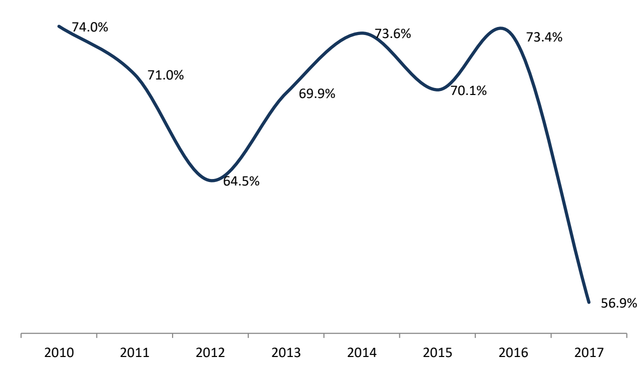


Sources: Annual Reports and Eaglestone Securities.

All in all, this means that the loans-to-deposits ratio fell significantly to 56.9% from 73.4% in 2016. Also, according to our estimates, the combined solvency ratio of the six banks surged to 19.3% from 5.5% in 2016, standing well above the regulatory requirement of 12% imposed by the Banco de Moçambique for banks operating in the country. It is worth noting that in 2016 the total solvency ratio for these banks was clearly impacted by Moza Banco's ratio (-98.9%) that led to its recapitalization last year.

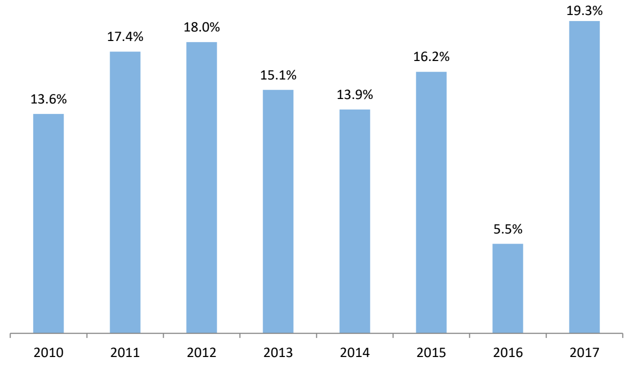
The L/D ratio fell to 56.9% while the solvency ratio recovered to an estimated 19.3% following the recapitalization of Moza Banco in 2017

LOANS TO DEPOSITS RATIO (2010-17)



Sources: Annual Reports and Eaglestone Securities.

SOLVENCY RATIO (2010-17)



Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS	Million MZM					Million US$					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	255,696	310,879	384,508	439,513	460,058	8,501	9,252	8,377	6,160	7,795	21.6%	23.7%	14.3%	4.7%
Customer Loans (net)	133,654	169,212	201,122	233,476	192,176	4,443	5,036	4,382	3,272	3,256	26.6%	18.9%	16.1%	-17.7%
Local Currency Loans	94,016	124,510	148,468	157,915	131,028	3,126	3,706	3,235	2,213	2,220	32.4%	19.2%	6.4%	-17.0%
Foreign Currency Loans	39,637	44,702	52,654	75,560	61,147	1,318	1,330	1,147	1,059	1,036	12.8%	17.8%	43.5%	-19.1%
Loan Loss Provisions	5,343	6,370	7,767	12,964	15,927	178	190	169	182	270	19.2%	21.9%	66.9%	22.9%
Non-Performing Loans	4,240	5,040	6,215	13,358	14,075	141	150	135	187	238	18.9%	23.3%	114.9%	5.4%
Customer Deposits	191,259	229,913	286,966	318,145	337,647	6,358	6,843	6,252	4,459	5,721	20.2%	24.8%	10.9%	6.1%
Local Currency Deposits	136,958	169,161	200,512	204,507	241,532	4,553	5,035	4,368	2,866	4,092	23.5%	18.5%	2.0%	18.1%
Foreign Currency Deposits	54,301	60,753	86,453	113,637	96,115	1,805	1,808	1,884	1,593	1,629	11.9%	42.3%	31.4%	-15.4%
Sight Deposits	117,067	144,567	175,862	196,625	206,776	3,892	4,303	3,831	2,756	3,503	23.5%	21.6%	11.8%	5.2%
Term Deposits	74,192	85,346	111,104	121,519	130,871	2,466	2,540	2,421	1,703	2,217	15.0%	30.2%	9.4%	7.7%
Equity	32,370	40,353	49,256	51,465	77,384	1,076	1,201	1,073	721	1,311	24.7%	22.1%	4.5%	50.4%
MAIN RATIOS														
Loans/Deposits	69.9%	73.6%	70.1%	73.4%	56.9%	69.9%	73.6%	70.1%	73.4%	56.9%	3.7%	-3.5%	3.3%	-16.5%
Loans/Assets	52.3%	54.4%	52.3%	53.1%	41.8%	52.3%	54.4%	52.3%	53.1%	41.8%	2.2%	-2.1%	0.8%	-11.3%
Deposits/Liabilities	85.6%	85.0%	85.6%	82.0%	88.2%	85.6%	85.0%	85.6%	82.0%	88.2%	-0.7%	0.6%	-3.6%	6.2%
Loans in Local Currency (% of Total)	70.0%	73.2%	73.5%	67.4%	67.9%	70.0%	73.2%	73.5%	67.4%	67.9%	3.3%	0.3%	-6.2%	0.5%
Deposits in Local Currency (% of Total)	71.6%	73.6%	69.9%	64.3%	71.5%	71.6%	73.6%	69.9%	64.3%	71.5%	2.0%	-3.7%	-5.6%	7.3%
Sight Deposits (% of Total)	61.2%	62.9%	61.3%	61.8%	61.2%	61.2%	62.9%	61.3%	61.8%	61.2%	1.7%	-1.6%	0.5%	-0.6%
Loans per Branch ('000 MZM/US$)	314,480	349,612	380,913	436,403	352,616	10,455	10,405	8,299	6,116	5,975	11.2%	9.0%	14.6%	-19.2%
Deposits per Branch ('000 MZM/US$)	450,021	475,028	543,496	594,663	619,536	14,961	14,138	11,841	8,334	10,497	5.6%	14.4%	9.4%	4.2%
NPL Ratio	3.05%	2.87%	2.98%	5.42%	6.76%	3.05%	2.87%	2.98%	5.42%	6.76%	-0.18%	0.10%	2.45%	1.34%
NPL Coverage	126.0%	126.4%	125.0%	97.1%	113.2%	126.0%	126.4%	125.0%	97.1%	113.2%	0.4%	-1.4%	-27.9%	16.1%
BS Provisions/Loans (gross)	3.84%	3.63%	3.72%	5.26%	7.65%	3.84%	3.63%	3.72%	5.26%	7.65%	-0.22%	0.09%	1.54%	2.39%
Solvency Ratio	15.1%	13.9%	16.2%	5.5%	19.3%	15.1%	13.9%	16.2%	5.5%	19.3%	-1.2%	2.3%	-10.7%	13.8%

Sources: Annual Reports and Eaglestone Securities.

PROFIT AND LOSS ACCOUNT

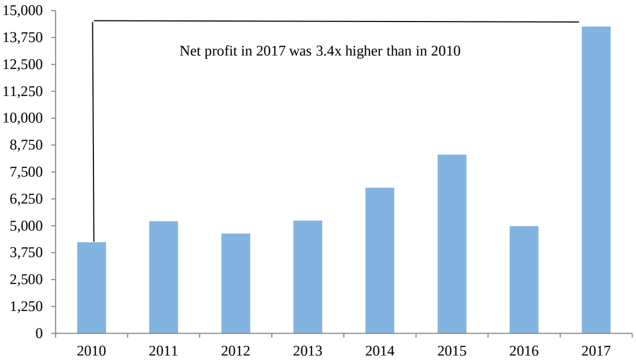
The combined profit and loss account of the six banks showed that net profit nearly trebled to MZM 14,255 million (US$ 242 million) last year. This evolution was due to the lower net loss recorded by Moza Banco in the period (MZM -1,459 million vs. MZM -5,268 million in 2016). If excluding this impact, the combined net profit of the other five banks would still improve by an impressive 53.4% to MZM 15,713 million (US$ 266 million) in 2017.

The combined net profit of the six banks nearly trebled in 2017, as the losses recorded by Moza Banco fell significantly from the previous year

As shown below, apart from 2012 and 2016, total net profit has consistently increased in recent years, standing in 2017 at 3.4x the level recorded in 2010. The bottom-line growth last year was mostly due to a significant improvement in revenues, which clearly offset the impact of a modest increase in costs and lower headwinds from loan loss provisions than in the previous years. This allowed both ROE and ROA to improve to multi-year highs of 18.4% and 3.10%, respectively.

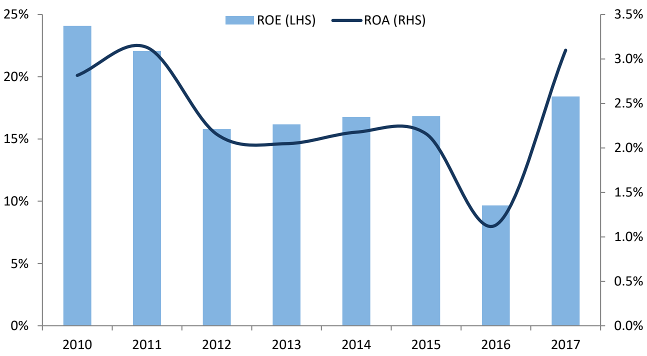
The increase in bottom-line was due to a strong improvement in revenues in the period

NET PROFIT (2010-17) – MILLION MZM



Sources: Annual Reports and Eaglestone Securities.

RETURN ON EQUITY AND RETURN ON ASSETS (2010-17)



Sources: Annual Reports and Eaglestone Securities.

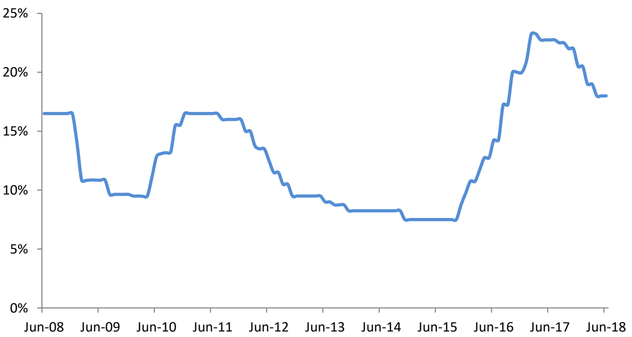
Revenues were boosted by a strong contribution from net interest income, which benefitted from a high interest rate environment for most of 2017

Total combined revenues for these banks stood at MZM 50,780 million (US$ 860 million) in 2017. This is an improvement of 25.4% YoY that followed an already impressive growth rate of 21.1% and 27.5% in the previous two years, respectively. We note the sharp increase in net interest income (44.8% YoY). This was boosted by persistently high interest rates during most of 2017, as the sector increased its exposure to treasury instruments that yielded quite attractive profitability levels. It is worth noting that some banks suggested that their net interest income line was impacted by higher funding costs, namely from higher interest rates for time deposits denominated in local currency.

The central bank has kept a tight monetary policy stance since end-2015

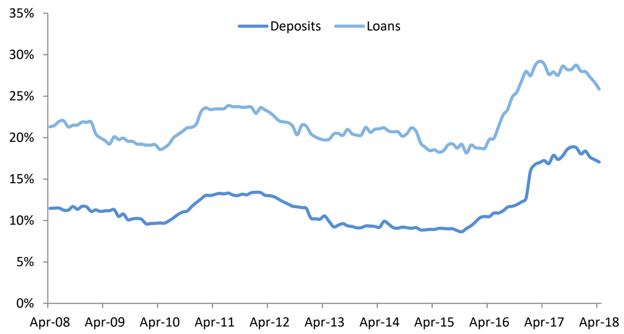
Recall that the Banco de Moçambique has kept a restrictive monetary policy stance since the end of 2015 in order to contain inflationary pressures in the country, hiking its benchmark rate to a multi-year high of 23.25% in February 2017. The central bank started to lower its standing lending facility in recent months, as inflation levels have receded to single-digits, but interest rates remain relatively elevated.

STANDING LENDING FACILITY – CENTRAL BANK



Sources: Central Bank and Eaglestone Securities.

AVERAGE INTEREST RATES (ONE YEAR)



Sources: Central Bank and Eaglestone Securities.

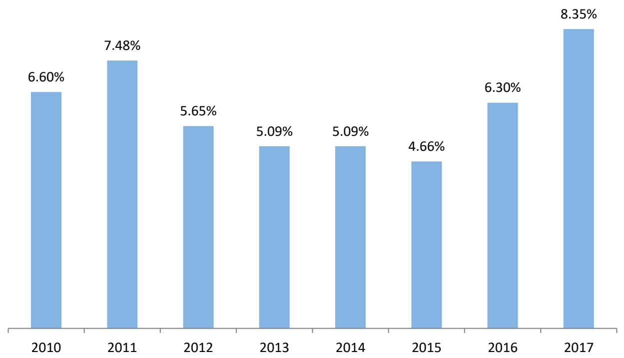
Net interest income accounted for 74% of total banking income

The higher interest rate environment is clearly reflected in some key banking sector indicators. According to our calculations, net interest margin, which is the ratio of net interest income over average total assets, reached 8.35% in 2017, significantly higher than the 6.30% in the previous year. Also, the contribution from net interest income to total banking income stood at 74% (vs. 64.1% in 2016). This means that both of these indicators reached their highest readings of the period 2010-17.

Fees and other banking income fell in the period

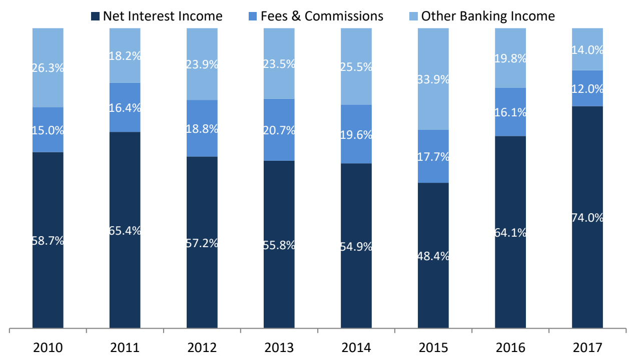
On the other hand, non-interest income like fees saw a weaker performance, falling 6.8% YoY after recording successive double-digit growth in the last few years. This evolution reflects a weaker macro environment in the country that led to a lower number of transactions carried out by the sector, including commissions associated with credit operations and banking guarantees. Weaker import levels and the fact that the metical remained relatively stable in 2017 also had an impact on fee income. Moreover, other banking income fell by 11.1% YoY, as a shortage of dollars in the market led to a lower volume of foreign exchange transactions.

NET INTEREST MARGIN (NII/ATA) (2010-17)



Sources: Annual Reports and Eaglestone Securities.

REVENUE BREAKDOWN (2010-17)

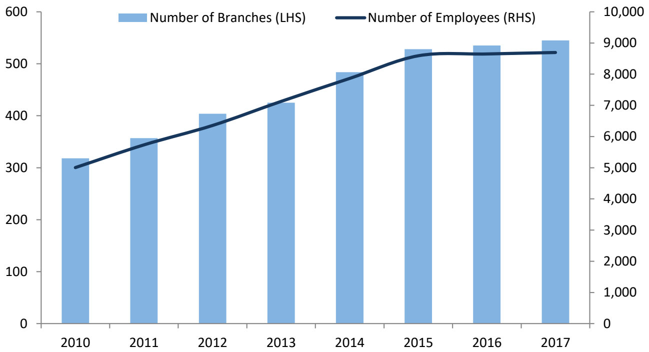


Sources: Annual Reports and Eaglestone Securities.

Meanwhile, total costs for these six banks reached MZM 24,641 million (US$ 417 million) in 2017, up by only 4.6% YoY. This compares with an average inflation rate of 15.1% recorded in the country last year. The sector continued to expand its branch network and hire more staff, but, as in 2016, this was done at a much slower pace than in previous years. The total number of branches and employees of these banks increased by 10 to 545 branches (1.9%) and by only 47 to 8,695 people (0.5% YoY). Overall, and after the sharp depreciation seen in 2016, the cost performance also reflected some stabilization of the metical against other currencies such as the dollar as some of the expenses are indexed to foreign currency.

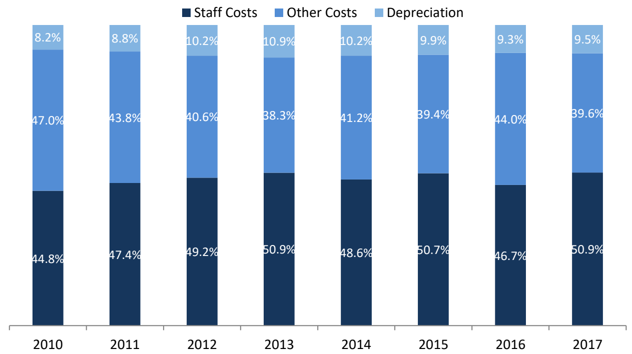
Costs expanded at a relatively modest rate, partly reflecting some stabilization of the metical against other currencies

NUMBER OF BRANCHES AND EMPLOYEES (2010-17)



Sources: Annual Reports and Eaglestone Securities.

COST BREAKDOWN (2010-17)

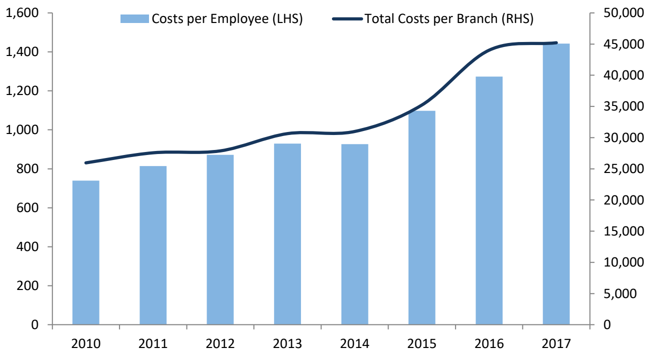


Sources: Annual Reports and Eaglestone Securities.

We highlight that, even after the sharp increases in 2015-16, total costs per employee and per branch continued to advance last year, namely by 13.3% and 2.7%, respectively. Still, despite these higher expenses, the robust revenue performance allowed for a continued improvement in efficiency levels, with the total cost-to-income ratio declining to 48.5% from 58.2% in 2016.

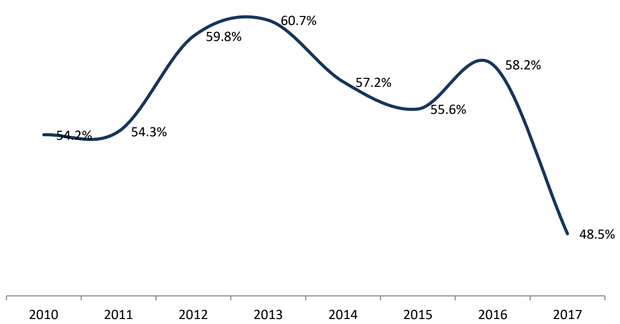
The cost-to-income ratio continued to improve, falling to 48.5% in 2017

COSTS PER EMPLOYEE AND PER BRANCH (2010-17)



Sources: Annual Reports and Eaglestone Securities.

COST-TO-INCOME RATIO (2010-17)



Sources: Annual Reports and Eaglestone Securities.

Loan impairments rose at a more moderate pace after doubling in 2016

Below the operating income line, net loan loss provisions continued to increase at a strong pace (22.2% YoY) after more than doubling in 2016, with cost of risk standing at 379bps (vs. 255bps in 2016). The increase in impairment levels seen over the years is the result of the large expansion of the loan portfolio of the banking system, but also the more conservative approach from most banks to face a more challenging macro environment in Mozambique.

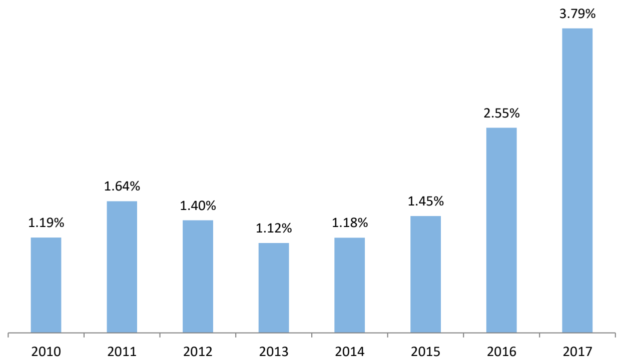
Most banks remain cautious about potential future risks

Some players stated that their loan impairment levels were positively impacted by the more stable metical against other currencies in 2017 since they had to provision less for their loans denominated in foreign currency. Others mentioned that they raised their provisioning levels in some specific clients, as they saw their risk profiles deteriorate. In other words, this suggests that the banking sector remains cautious about potential future risks.

A significant decline in provisions for other assets and a lower effective tax rate aided net profit growth

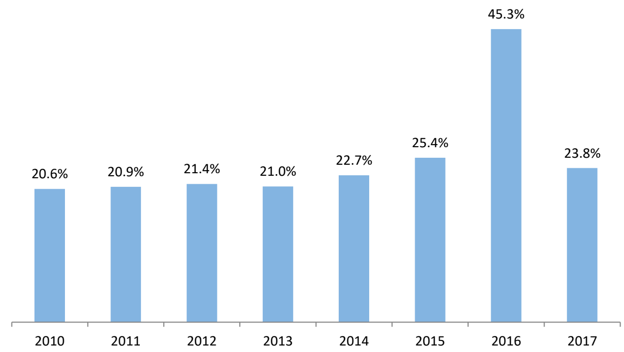
Net profit was also impacted by lower provisions for other assets (-72% YoY) while taxes only increased 8.1% from the previous year. This means that the total effective tax rate of these six banks declined to 23.8%, which is much lower than the 45.3% in 2016, but relatively in line with the level recorded during 2010-15.

NET LOAN LOSS PROVISIONS (% OF LOANS) (2010-17)



Sources: Annual Reports and Eaglestone Securities.

TAX RATE (2010-17)



Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS	Million MZM					Million US$					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
P&L ACCOUNT														
Net Interest Income	11,981	14,411	16,204	25,955	37,574	398	429	353	364	637	20.3%	12.4%	60.2%	44.8%
Fees & Commissions	4,445	5,137	5,918	6,527	6,080	148	153	129	91	103	15.6%	15.2%	10.3%	-6.8%
Other Banking Income	5,042	6,685	11,325	8,017	7,126	168	199	247	112	121	32.6%	69.4%	-29.2%	-11.1%
Banking Income	**21,469**	**26,233**	**33,447**	**40,499**	**50,780**	**714**	**781**	**729**	**568**	**860**	**22.2%**	**27.5%**	**21.1%**	**25.4%**
Staff Costs	6,624	7,284	9,425	11,009	12,545	220	217	205	154	213	10.0%	29.4%	16.8%	13.9%
Other Costs	4,987	6,180	7,331	10,362	9,764	166	184	160	145	165	23.9%	18.6%	41.3%	-5.8%
Depreciation	1,414	1,534	1,847	2,179	2,332	47	46	40	31	40	8.5%	20.3%	18.0%	7.0%
Total Costs	**13,025**	**14,998**	**18,603**	**23,551**	**24,641**	**433**	**446**	**405**	**330**	**417**	**15.2%**	**24.0%**	**26.6%**	**4.6%**
Operating Income	**8,444**	**11,235**	**14,844**	**16,949**	**26,140**	**281**	**334**	**323**	**238**	**443**	**33.1%**	**32.1%**	**14.2%**	**54.2%**
Net Loan Loss Provisions (LLP)	1,495	2,002	2,921	5,956	7,279	50	60	64	83	123	34.0%	45.9%	103.9%	22.2%
Other	-323	-476	-796	-1,888	-147	-11	-14	-17	-26	-2	47.4%	67.3%	137.4%	-92.2%
Pre-Tax Profits	**6,627**	**8,757**	**11,127**	**9,104**	**18,715**	**220**	**261**	**242**	**128**	**317**	**32.1%**	**27.1%**	**-18.2%**	**105.6%**
Taxes	1,390	1,989	2,828	4,126	4,460	46	59	62	58	76	43.1%	42.2%	45.9%	8.1%
Net Profit	**5,236**	**6,767**	**8,299**	**4,978**	**14,255**	**174**	**201**	**181**	**70**	**242**	**29.2%**	**22.6%**	**-40.0%**	**186.4%**
MAIN RATIOS														
Net Interest Margin (NII/ATA)	5.09%	5.09%	4.66%	6.30%	8.35%	5.09%	5.09%	4.66%	6.30%	8.35%	0.00%	-0.43%	1.64%	2.05%
Net Interest Income (% of Revenues)	55.8%	54.9%	48.4%	64.1%	74.0%	55.8%	54.9%	48.4%	64.1%	74.0%	-0.9%	-6.5%	15.6%	9.9%
Fees (% of Banking Income)	20.7%	19.6%	17.7%	16.1%	12.0%	20.7%	19.6%	17.7%	16.1%	12.0%	-1.1%	-1.9%	-1.6%	-4.1%
Staff Costs (% of Total Costs)	50.9%	48.6%	50.7%	46.7%	50.9%	50.9%	48.6%	50.7%	46.7%	50.9%	-2.3%	2.1%	-3.9%	4.2%
Costs per Employee ('000 MZM/US$)	929.4	926.3	1,097.2	1,273.1	1,442.8	30.9	27.6	23.9	17.8	24.4	-0.3%	18.5%	16.0%	13.3%
Total Costs per Branch ('000 MZM/US$)	30,647	30,988	35,233	44,020	45,212	1,019	922	768	617	766	1.1%	13.7%	24.9%	2.7%
Cost-to-Income (incl. Depreciation)	60.7%	57.2%	55.6%	58.2%	48.5%	60.7%	57.2%	55.6%	58.2%	48.5%	-3.5%	-1.6%	2.5%	-9.6%
Net LLP (% of Loans)	1.12%	1.18%	1.45%	2.55%	3.79%	1.12%	1.18%	1.45%	2.55%	3.79%	0.06%	0.27%	1.10%	1.24%
Tax Rate	21.0%	22.7%	25.4%	45.3%	23.8%	21.0%	22.7%	25.4%	45.3%	23.8%	1.7%	2.7%	19.9%	-21.5%
ROE	16.2%	16.8%	16.8%	9.7%	18.4%	16.2%	16.8%	16.8%	9.7%	18.4%	0.6%	0.1%	-7.2%	8.7%
ROA	2.05%	2.18%	2.16%	1.13%	3.10%	2.05%	2.18%	2.16%	1.13%	3.10%	0.13%	-0.02%	-1.03%	1.97%

Sources: Annual Reports and Eaglestone Securities.

BANCO COMERCIAL E DE INVESTIMENTOS (BCI)

BCI disclosed a consolidated net profit of MZM 2,334 million (US$ 39.5 million) in 2017, an increase of 62.6% YoY. Bottom-line benefitted from a persistently robust revenue performance and a moderate increase in costs (19.3% and 4.9%, respectively). Still, net profit was clearly impacted by a sharp rise in loan impairments (more than doubled from 2016) in the period.

BCI's net profit rose 62.6% YoY after another strong revenue performance

In particular, revenues were boosted by a sharp increase in net interest income that reflected the bank's large investment in both T-bills and notes, as these provided healthy profitability levels due to their high interest rates. On the other hand net interest income was affected by a negative impact both in terms of volumes and higher funding costs, namely from higher interest rates for time deposits denominated in local currency. Moreover, the increase in other revenues was due to a recovery in overdue loans and interests that more than offset a weaker contribution from FX operations and fees (from a lower number of client transactions). Meanwhile, BCI said that the softer increase in costs resulted from the bank's stronger focus on controlling expenses so that it can attenuate the impact from higher inflation levels in 2016-17. Staff costs continued to represent more than half of total costs despite the reduction in the number of employees. All in all, the cost-to-income ratio improved to 54.4% (from 61.9% in 2016).

Revenues were boosted by a strong increase in net interest income while costs were relatively subdued as a result of BCI's efforts to control expenses

Below the operating income line, BCI stated that the sharp increase in loan loss provisions was due to the deterioration in credit risk, with a significant number of the loan operations having to be analyzed on an individual basis. Cost of risk stood at 371bps (vs. 125 bps in 2016).

Bottom-line was impacted by a large increase in loan impairments

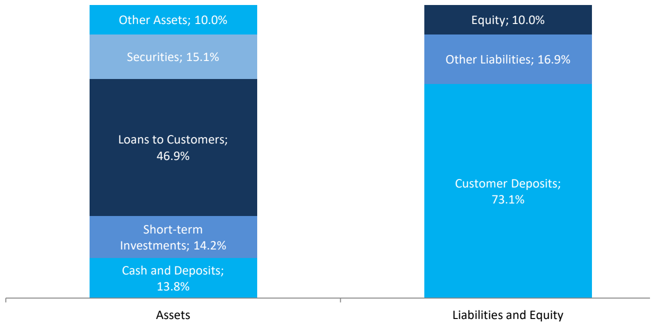
Regarding the balance sheet, we note the 12.7% YoY drop in net loans, as BCI decided to raise its financial assets portfolio and investments in other financial institutions as alternatives to providing loans to households and corporates. Deposits continued to advance, but at a slightly slower pace than in 2016, leading the loans-to-deposits ratio to fall significantly to 64% (vs. 80% in 2016). As expected, the majority of the bank's loans and deposits were denominated in local currency at end-2017. Also worth noting is the sharp deterioration in asset quality levels, with the NPL ratio standing at 8.4% and coverage at 50% (vs. 3.58% and 66%, respectively, in 2016). Finally, BCI reported a solvency ratio of 17.1%, up from 14.0% in 2016.

The L/D ratio fell sharply to 64%, as the bank decided to reduce loans to households and corporates

B. COM. E DE INVESTIM. (BCI)	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	82,796	98,907	125,264	143,631	154,556	2,753	2,944	2,729	2,013	2,619	19.5%	26.6%	14.7%	7.6%
Customer Loans (net)	45,255	58,415	69,382	82,898	72,411	1,504	1,739	1,512	1,162	1,227	29.1%	18.8%	19.5%	-12.7%
Local Currency Loans	26,053	37,033	45,066	46,577	41,638	866	1,102	982	653	705	42.1%	21.7%	3.4%	-10.6%
Loan Loss Provisions	849	1,416	1,334	2,010	3,173	28	42	29	28	54	66.7%	-5.8%	50.7%	57.8%
Non-Performing Loans	1,285	1,153	856	3,040	6,349	43	34	19	43	108	-10.2%	-25.8%	255.2%	108.9%
Customer Deposits	60,025	73,005	91,900	103,115	113,002	1,996	2,173	2,002	1,445	1,915	21.6%	25.9%	12.2%	9.6%
Local Currency Deposits	46,536	56,270	69,144	70,332	86,052	1,547	1,675	1,506	986	1,458	20.9%	22.9%	1.7%	22.4%
Equity	6,100	7,427	10,300	11,418	15,419	203	221	224	160	261	21.8%	38.7%	10.9%	35.0%
P&L ACCOUNT														
Net Interest Income	2,788	3,648	4,067	6,121	8,006	92.7	108.6	88.6	85.8	135.7	30.8%	11.5%	50.5%	30.8%
Fees & Commissions	1,110	1,449	1,737	2,094	1,607	36.9	43.1	37.9	29.4	27.2	30.6%	19.9%	20.5%	-23.3%
Other Banking Income	1,374	1,689	2,661	1,748	2,278	45.7	50.3	58.0	24.5	38.6	22.9%	57.5%	-34.3%	30.3%
Banking Income	**5,272**	**6,786**	**8,465**	**9,964**	**11,891**	**175.3**	**202.0**	**184.4**	**139.6**	**201.5**	**28.7%**	**24.8%**	**17.7%**	**19.3%**
Staff Costs	1,701	1,984	2,658	3,213	3,590	56.5	59.0	57.9	45.0	60.8	16.6%	34.0%	20.9%	11.7%
Other Costs	1,260	1,798	2,026	2,292	2,137	41.9	53.5	44.1	32.1	36.2	42.8%	12.7%	13.1%	-6.8%
Depreciation	458	439	552	665	742	15.2	13.1	12.0	9.3	12.6	-4.0%	25.7%	20.4%	11.6%
Total Costs	**3,418**	**4,222**	**5,237**	**6,170**	**6,469**	**113.6**	**125.6**	**114.1**	**86.5**	**109.6**	**23.5%**	**24.1%**	**17.8%**	**4.9%**
Operating Income	**1,854**	**2,564**	**3,228**	**3,794**	**5,422**	**61.6**	**76.3**	**70.3**	**53.2**	**91.9**	**38.3%**	**25.9%**	**17.5%**	**42.9%**
Net Loan Loss Provisions (LLP)	383	762	729	1,036	2,685	12.7	22.7	15.9	14.5	45.5	98.8%	-4.3%	42.1%	159.1%
Other	-94	-49	-117	-835	-309	-3.1	-1.5	-2.5	-11.7	-5.2	-47.7%	138.5%	614.3%	-63.1%
Pre-Tax Profits	**1,377**	**1,753**	**2,382**	**1,922**	**2,428**	**45.8**	**52.2**	**51.9**	**26.9**	**41.1**	**27.3%**	**35.9%**	**-19.3%**	**26.3%**
Taxes	167	443	684	487	94	5.6	13.2	14.9	6.8	1.6	164.4%	54.5%	-28.8%	-80.6%
Net Profit	**1,210**	**1,310**	**1,698**	**1,435**	**2,334**	**40.2**	**39.0**	**37.0**	**20.1**	**39.5**	**8.3%**	**29.6%**	**-15.5%**	**62.6%**
RATIOS														
Net Interest Margin (NII/ATA)	3.69%	4.02%	3.63%	4.55%	5.37%	3.69%	4.02%	3.63%	4.55%	5.37%	0.32%	-0.39%	0.92%	0.82%
Net Interest Income (% of Revenue)	52.9%	53.8%	48.0%	61.4%	67.3%	52.9%	53.8%	48.0%	61.4%	67.3%	0.9%	-5.7%	13.4%	5.9%
Fees (% of Banking Income)	21.0%	21.3%	20.5%	21.0%	13.5%	21.0%	21.3%	20.5%	21.0%	13.5%	0.3%	-0.8%	0.5%	-7.5%
Staff Costs (% of Total Costs)	49.8%	47.0%	50.8%	52.1%	55.5%	49.8%	47.0%	50.8%	52.1%	55.5%	-2.8%	3.8%	1.3%	3.4%
Costs per Employee ('000)	802	808	883	1,076	1,227	26.7	24.0	19.2	15.1	20.8	0.7%	9.4%	21.8%	14.1%
Cost-to-Income (incl. Depreciation)	64.8%	62.2%	61.9%	61.9%	54.4%	64.8%	62.2%	61.9%	61.9%	54.4%	-2.6%	-0.3%	0.1%	-7.5%
Net LLP (% of Loans)	0.85%	1.30%	1.05%	1.25%	3.71%	0.85%	1.30%	1.05%	1.25%	3.71%	0.46%	-0.25%	0.20%	2.46%
Tax Rate	12.2%	25.2%	28.7%	25.3%	3.9%	12.2%	25.2%	28.7%	25.3%	3.9%	13.1%	3.5%	-3.4%	-21.5%
ROE	19.8%	17.6%	16.5%	12.6%	15.1%	19.8%	17.6%	16.5%	12.6%	15.1%	-2.2%	-1.2%	-3.9%	2.6%
ROA	1.46%	1.32%	1.36%	1.00%	1.51%	1.46%	1.32%	1.36%	1.00%	1.51%	-0.14%	0.03%	-0.36%	0.51%
Loans/Deposits	75.4%	80.0%	75.5%	80.4%	64.1%	75.4%	80.0%	75.5%	80.4%	64.1%	4.6%	-4.5%	4.9%	-16.3%
Loans/Assets	54.7%	59.1%	55.4%	57.7%	46.9%	54.7%	59.1%	55.4%	57.7%	46.9%	4.4%	-3.7%	2.3%	-10.9%
Deposits/Liabilities	78.3%	79.8%	79.9%	78.0%	81.2%	78.3%	79.8%	79.9%	78.0%	81.2%	1.5%	0.1%	-1.9%	3.2%
Loans in Local Currency (% Total)	57.6%	63.4%	65.0%	56.2%	57.5%	57.6%	63.4%	65.0%	56.2%	57.5%	5.8%	1.6%	-8.8%	1.3%
Deposits in Local Currency (% Total)	77.5%	77.1%	75.2%	68.2%	76.2%	77.5%	77.1%	75.2%	68.2%	76.2%	-0.5%	-1.8%	-7.0%	7.9%
Loans per Branch ('000)	340,266	347,709	363,257	429,523	371,338	11,312	10,348	7,914	6,020	6,292	2.2%	4.5%	18.2%	-13.5%
Deposits per Branch ('000)	451,314	434,556	481,154	534,275	579,496	15,004	12,933	10,483	7,488	9,819	-3.7%	10.7%	11.0%	8.5%
Solvency Ratio	11.9%	8.6%	12.7%	14.0%	17.1%	11.9%	8.6%	12.7%	14.0%	17.1%	-3.3%	4.1%	1.3%	3.1%
NPL Ratio	2.79%	1.93%	1.21%	3.58%	8.40%	2.79%	1.93%	1.21%	3.58%	8.40%	-0.86%	-0.72%	2.37%	4.82%
NPL Coverage	66.1%	122.7%	155.9%	66.1%	50.0%	66.1%	122.7%	155.9%	66.1%	50.0%	56.6%	33.2%	-89.8%	-16.2%
BS Provisions/Loans (gross)	1.84%	2.37%	1.89%	2.37%	4.20%	1.84%	2.37%	1.89%	2.37%	4.20%	0.52%	-0.48%	0.48%	1.83%

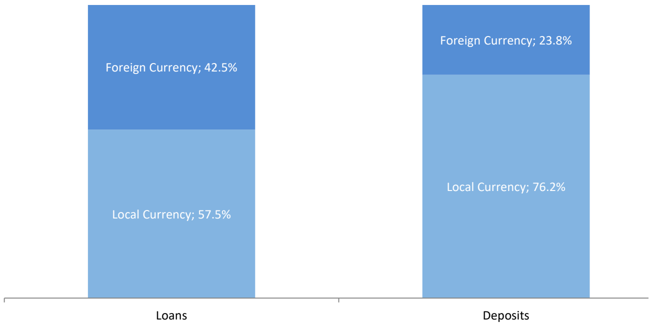
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



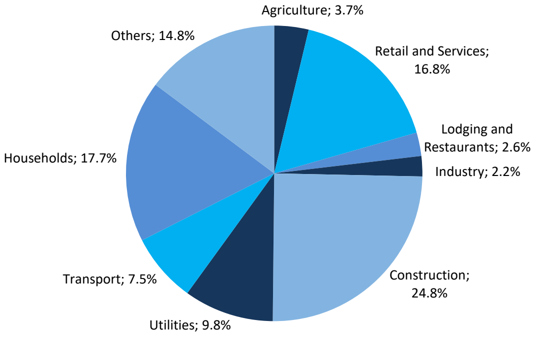
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



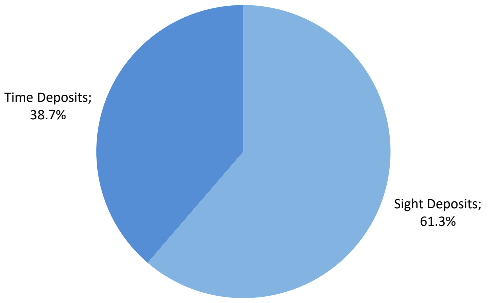
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



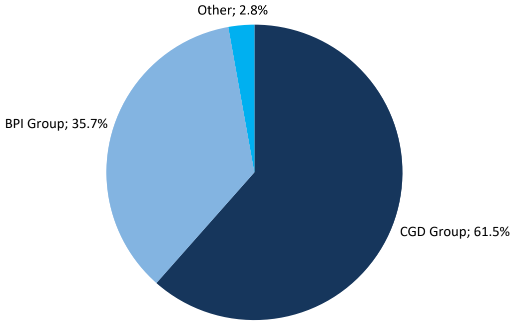
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

MILLENNIUM BIM (BIM)

BIM's net profit increased by 22.9% YoY in 2017 after the bank recorded another healthy operating performance

Millennium bim (BIM) reported a net profit of MZM 6,161 million (US$ 104 million) in 2017, up 22.9% YoY. The bank continued to record a healthy operating performance (with revenues advancing at a slightly quicker pace than costs) that allowed offsetting higher loan provisions. Revenues were boosted by another strong increase in net interest income resulting mostly from better profitability in terms of customer loans and financial assets (due to higher interest rates). BIM stated that it also faced higher funding costs in 2017. On the other hand, revenues were hit by a sharp fall in other banking income namely in FX operations (both in terms of volumes and margins). Fees were up very modestly due to lower cross-selling in the period.

The bank reported the best efficiency ratio among the largest players

The increase in costs reflects the continued expansion of the bank's distribution network. BIM had 186 branches after opening ten new branches last year while the number of employees rose by 74 to 2,476. The cost-to-income ratio remained relatively unchanged at 37.9% (vs. 38.3% in 2016). Once again, BIM recorded the best efficiency ratio among the largest banks. Below the operating income line, net loan loss provisions rose 21.8% YoY, with cost of risk standing at 326bps (vs. 210bps in 2016). BIM stated this was related to the growth in the loan portfolio in recent years and higher impairments in some corporate clients that are subject to an individual analysis carried out by the bank.

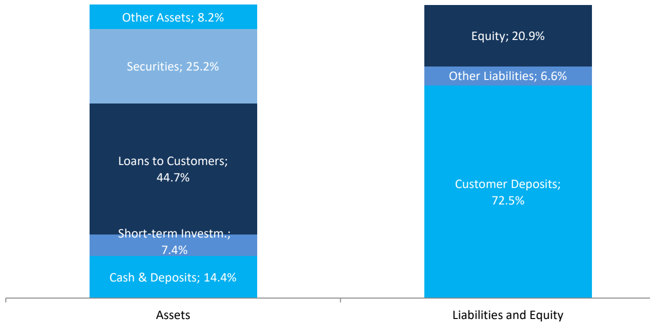
Net loans declined in the period as a result of the tougher macro backdrop faced by the sector

Looking at the balance sheet, it is worth noting that net loans fell by almost 22% YoY last year while deposits remained fairly flat in the period. Net loans represented less than 45% of total assets (vs. c55% in previous years). This mostly reflects the tougher macro environment that the sector had to face during 2017. Loans and deposits in the local currency accounted for about 75% of their respective totals. Meanwhile, the amount of NPLs increased by roughly 10% YoY, lifting the NPL ratio to 5.55% (from 4.04% in 2016). The NPL coverage ratio stood at 174%, down from 180% in the previous year. Finally, the bank's solvency ratio declined from 18.8% to 17.1% in 2017, but remained well above the regulatory required level.

MILLENNIUM BIM (BIM)	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	87,886	104,217	120,428	138,459	137,331	2,922	3,102	2,624	1,941	2,327	18.6%	15.6%	15.0%	-0.8%
Customer Loans (net)	47,921	56,795	66,331	78,283	61,413	1,593	1,690	1,445	1,097	1,041	18.5%	16.8%	18.0%	-21.6%
Local Currency Loans	36,445	44,849	52,081	58,615	47,000	1,212	1,335	1,135	822	796	23.1%	16.1%	12.5%	-19.8%
Loan Loss Provisions	2,969	3,137	4,177	6,147	6,571	99	93	91	86	111	5.6%	33.2%	47.1%	6.9%
Non-Performing Loans	940	1,477	3,039	3,413	3,772	31	44	66	48	64	57.1%	105.7%	12.3%	10.5%
Customer Deposits	64,574	77,144	89,205	97,819	99,622	2,147	2,296	1,943	1,371	1,688	19.5%	15.6%	9.7%	1.8%
Local Currency Deposits	49,801	60,992	66,913	69,080	75,325	1,656	1,815	1,458	968	1,276	22.5%	9.7%	3.2%	9.0%
Sight Deposits	36,408	45,400	50,659	54,075	51,171	1,210	1,351	1,104	758	867	24.7%	11.6%	6.7%	-5.4%
Equity	15,512	18,026	20,471	23,506	28,661	516	536	446	329	486	16.2%	13.6%	14.8%	21.9%
P&L ACCOUNT														
Net Interest Income	5,060	5,848	6,159	9,713	12,419	168.2	174.0	134.2	136.1	210.4	15.6%	5.3%	57.7%	27.9%
Fees & Commissions	1,725	1,882	1,973	2,129	2,180	57.3	56.0	43.0	29.8	36.9	9.1%	4.8%	7.9%	2.4%
Other Banking Income	1,804	1,861	2,889	2,705	1,478	60.0	55.4	62.9	37.9	25.0	3.1%	55.2%	-6.4%	-45.4%
Banking Income	**8,589**	**9,591**	**11,021**	**14,547**	**16,077**	**285.6**	**285.4**	**240.1**	**203.9**	**272.4**	**11.7%**	**14.9%**	**32.0%**	**10.5%**
Staff Costs	1,781	1,935	2,096	2,496	2,656	59.2	57.6	45.7	35.0	45.0	8.7%	8.3%	19.1%	6.4%
Other Costs	1,587	1,728	2,043	2,548	2,874	52.8	51.4	44.5	35.7	48.7	8.9%	18.2%	24.7%	12.8%
Depreciation	374	450	501	533	560	12.4	13.4	10.9	7.5	9.5	20.2%	11.5%	6.3%	5.1%
Total Costs	**3,741**	**4,112**	**4,640**	**5,576**	**6,089**	**124.4**	**122.4**	**101.1**	**78.2**	**103.2**	**9.9%**	**12.8%**	**20.2%**	**9.2%**
Operating Income	**4,848**	**5,479**	**6,381**	**8,971**	**9,988**	**161.2**	**163.1**	**139.0**	**125.7**	**169.2**	**13.0%**	**16.5%**	**40.6%**	**11.3%**
Net Loan Loss Provisions (LLP)	446	501	1,093	1,644	2,004	14.8	14.9	23.8	23.0	33.9	12.2%	118.3%	50.5%	21.8%
Other	-209	-407	-654	-349	80	-6.9	-12.1	-14.3	-4.9	1.4	94.6%	60.9%	-46.7%	n.m.
Pre-Tax Profits	**4,193**	**4,571**	**4,634**	**6,978**	**8,065**	**139.4**	**136.1**	**100.9**	**97.8**	**136.6**	**9.0%**	**1.4%**	**50.6%**	**15.6%**
Taxes	731	848	896	1,963	1,904	24.3	25.2	19.5	27.5	32.3	16.0%	5.7%	119.0%	-3.0%
Net Profit	**3,462**	**3,724**	**3,737**	**5,014**	**6,161**	**115.1**	**110.8**	**81.4**	**70.3**	**104.4**	**7.6%**	**0.4%**	**34.2%**	**22.9%**
RATIOS														
Net Interest Margin (NII/ATA)	6.28%	6.09%	5.48%	7.50%	9.01%	6.28%	6.09%	5.48%	7.50%	9.01%	-0.20%	-0.60%	2.02%	1.50%
Net Interest Income (% of Revenue)	58.9%	61.0%	55.9%	66.8%	77.2%	58.9%	61.0%	55.9%	66.8%	77.2%	2.1%	-5.1%	10.9%	10.5%
Fees (% of Banking Income)	20.1%	19.6%	17.9%	14.6%	13.6%	20.1%	19.6%	17.9%	14.6%	13.6%	-0.5%	-1.7%	-3.3%	-1.1%
Staff Costs (% of Total Costs)	47.6%	47.1%	45.2%	44.8%	43.6%	47.6%	47.1%	45.2%	44.8%	43.6%	-0.5%	-1.9%	-0.4%	-1.1%
Costs per Employee ('000)	765	817	892	1,039	1,073	25.4	24.3	19.4	14.6	18.2	6.9%	9.1%	16.5%	3.2%
Cost-to-Income (incl. Depreciation)	43.6%	42.9%	42.1%	38.3%	37.9%	43.6%	42.9%	42.1%	38.3%	37.9%	-0.7%	-0.8%	-3.8%	-0.5%
Net LLP (% of Loans)	0.93%	0.88%	1.65%	2.10%	3.26%	0.93%	0.88%	1.65%	2.10%	3.26%	-0.05%	0.77%	0.45%	1.16%
Tax Rate	17.4%	18.5%	19.3%	28.1%	23.6%	17.4%	18.5%	19.3%	28.1%	23.6%	1.1%	0.8%	8.8%	-4.5%
ROE	22.3%	20.7%	18.3%	21.3%	21.5%	22.3%	20.7%	18.3%	21.3%	21.5%	-1.7%	-2.4%	3.1%	0.2%
ROA	3.94%	3.57%	3.10%	3.62%	4.49%	3.94%	3.57%	3.10%	3.62%	4.49%	-0.37%	-0.47%	0.52%	0.86%
Loans/Deposits	74.2%	73.6%	74.4%	80.0%	61.6%	74.2%	73.6%	74.4%	80.0%	61.6%	-0.6%	0.7%	5.7%	-18.4%
Loans/Assets	54.5%	54.5%	55.1%	56.5%	44.7%	54.5%	54.5%	55.1%	56.5%	44.7%	0.0%	0.6%	1.5%	-11.8%
Deposits/Liabilities	89.2%	89.5%	89.2%	85.1%	91.7%	89.2%	89.5%	89.2%	85.1%	91.7%	0.3%	-0.3%	-4.1%	6.6%
Loans in Local Currency (% Total)	76.1%	79.0%	78.5%	74.9%	76.5%	76.1%	79.0%	78.5%	74.9%	76.5%	2.9%	-0.4%	-3.6%	1.7%
Deposits in Local Currency (% Total)	77.1%	79.1%	75.0%	70.6%	75.6%	77.1%	79.1%	75.0%	70.6%	75.6%	1.9%	-4.1%	-4.4%	5.0%
Loans per Branch ('000)	305,227	342,137	392,491	444,790	330,178	10,147	10,183	8,551	6,234	5,594	12.1%	14.7%	13.3%	-25.8%
Deposits per Branch ('000)	411,298	464,721	527,838	555,789	535,600	13,673	13,831	11,500	7,790	9,075	13.0%	13.6%	5.3%	-3.6%
Solvency Ratio	21.4%	19.0%	19.8%	18.8%	17.1%	21.4%	19.0%	19.8%	18.8%	17.1%	-2.4%	0.8%	-1.0%	-1.7%
NPL Ratio	1.85%	2.47%	4.31%	4.04%	5.55%	1.85%	2.47%	4.31%	4.04%	5.55%	0.62%	1.85%	-0.27%	1.51%
NPL Coverage	315.7%	212.3%	137.5%	180.1%	174.2%	315.7%	212.3%	137.5%	180.1%	174.2%	-103.4%	-74.9%	42.6%	-5.9%
BS Provisions/Loans (gross)	5.83%	5.23%	5.92%	7.28%	9.67%	5.83%	5.23%	5.92%	7.28%	9.67%	-0.60%	0.69%	1.36%	2.39%

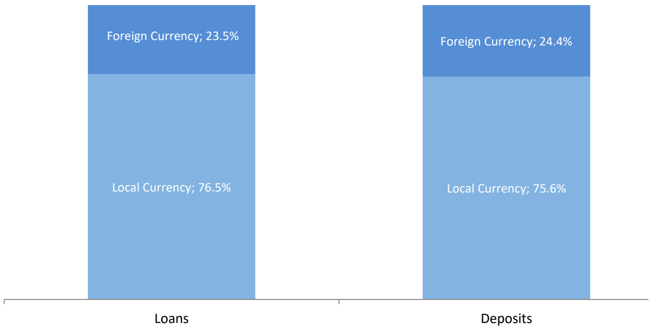
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



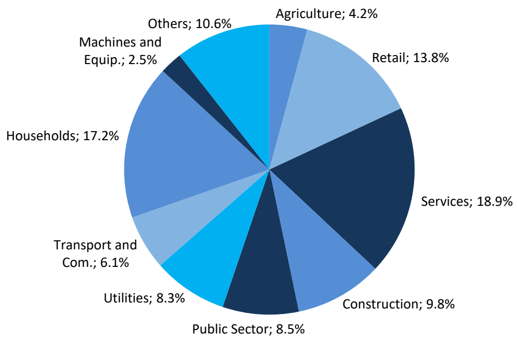
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



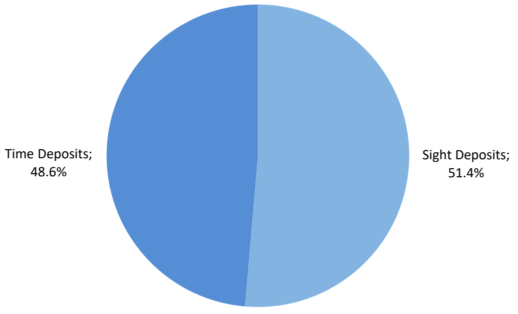
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



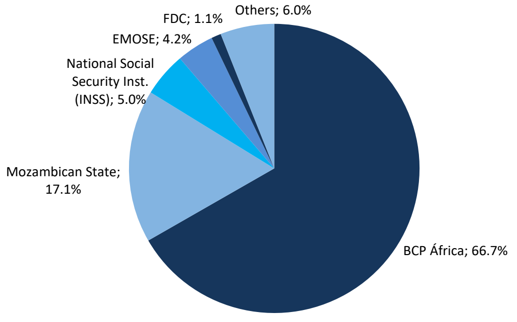
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

STANDARD BANK MOZAMBIQUE

Net profit more than doubled in 2017 after another robust operating performance, but also a sharp decline in loan impairments

Standard Bank Mozambique's net profit more than doubled to MZM 5,595 million (US$ 94.8 million) in 2017. This outcome reflected once again a robust operating performance, but more importantly it resulted from a sharp decline in loan impairments that stood at more normalized levels after more than trebling in 2016. Recall that the surge in loan impairments in 2016 was the result of a large downgrade in the rating of some clients made by the bank.

Revenues were clearly boosted by a significant contribution from net interest income while the strong increase in costs did not prevent an improvement in efficient levels

Revenues were clearly boosted by a strong contribution from net interest income (more than 70% of the total). The bank stated that it was able to offset the impact from higher interest rates on time deposits with a cheaper funding structure that allowed for a significant improvement in margins. On the flip side, the tough macro environment in 2017 meant that non-interest income was clearly hit in the period. The lower number of transactions, weaker import levels and the fact that the metical remained rather stable had a significant impact on fees and other banking income. Meanwhile, contrary to what happened in most other banks in 2017, total costs were up significantly once again, with the bank stating that it decided to compensate its employees for the recent increase in inflation levels. Aided by the aforementioned revenue performance, this increase in costs did not prevent the bank from recording a still impressive cost-to-income ratio of 41.5% (down from 44.4% in 2016).

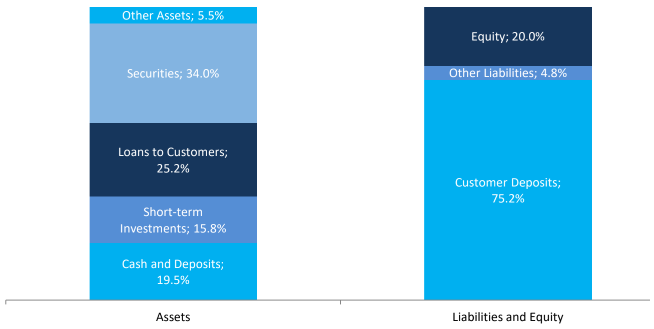
NPLs fell significantly after surging more than fivefold in 2016 due to "one-off" effects

In terms of the balance sheet, we highlight not only the sharp decline in net loans (mostly due to the weaker macro backdrop in the country), but also the significant fall in NPLs. Recall that NPLs surged more than fivefold in 2016 as a result of a restructured facility of nearly MZM 2 billion that the bank fully provisioned, but was kept as NPL for six months due to international accounting norms. This was apparently reversed in 2017, allowing NPLs to fall by 53.9% YoY in absolute terms. As a result, the NPL ratio stood at 4.78%, with coverage of 149% (vs. 7.93% and 62%, respectively, in 2016). Finally, the bank's solvency ratio improved to 20.4% from 17.0% in the previous year.

STANDARD BANK MOÇAMBIQUE	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	44,063	49,319	66,948	79,663	87,428	1,465	1,468	1,459	1,117	1,481	11.9%	35.7%	19.0%	9.7%
Customer Loans (net)	18,921	22,911	26,873	29,488	22,013	629	682	585	413	373	21.1%	17.3%	9.7%	-25.3%
Local Currency Loans	11,992	15,268	17,433	18,294	12,384	399	454	380	256	210	27.3%	14.2%	4.9%	-32.3%
Loan Loss Provisions	434	421	562	1,525	1,689	14	13	12	21	29	-3.0%	33.6%	171.2%	10.8%
Non-Performing Loans	506	474	432	2,460	1,133	17	14	9	34	19	-6.3%	-8.9%	469.9%	-53.9%
Customer Deposits	35,717	38,424	49,871	61,597	65,729	1,187	1,144	1,087	863	1,114	7.6%	29.8%	23.5%	6.7%
Local Currency Deposits	16,999	19,139	22,466	27,919	36,807	565	570	489	391	624	12.6%	17.4%	24.3%	31.8%
Sight Deposits	32,236	34,999	46,061	54,692	57,185	1,072	1,042	1,004	767	969	8.6%	31.6%	18.7%	4.6%
Equity	6,780	7,959	10,266	12,578	17,493	225	237	224	176	296	17.4%	29.0%	22.5%	39.1%
P&L ACCOUNT														
Net Interest Income	2,365	2,572	2,881	5,275	9,359	78.6	76.5	62.8	73.9	158.6	8.8%	12.0%	83.1%	77.4%
Fees & Commissions	826	883	1,070	1,216	1,256	27.5	26.3	23.3	17.0	21.3	6.9%	21.1%	13.7%	3.3%
Other Banking Income	1,394	1,893	3,348	3,223	2,481	46.3	56.3	73.0	45.2	42.0	35.8%	76.9%	-3.8%	-23.0%
Banking Income	**4,584**	**5,348**	**7,299**	**9,714**	**13,096**	**152.4**	**159.2**	**159.0**	**136.1**	**221.9**	**16.7%**	**36.5%**	**33.1%**	**34.8%**
Staff Costs	1,455	1,610	1,997	2,453	3,166	48.4	47.9	43.5	34.4	53.6	10.7%	24.0%	22.9%	29.1%
Other Costs	925	1,179	1,229	1,578	1,920	30.7	35.1	26.8	22.1	32.5	27.4%	4.3%	28.3%	21.7%
Depreciation	113	130	188	279	343	3.8	3.9	4.1	3.9	5.8	15.0%	44.2%	48.5%	23.2%
Total Costs	**2,493**	**2,919**	**3,413**	**4,309**	**5,430**	**82.9**	**86.9**	**74.4**	**60.4**	**92.0**	**17.1%**	**16.9%**	**26.2%**	**26.0%**
Operating Income	**2,091**	**2,429**	**3,885**	**5,405**	**7,666**	**69.5**	**72.3**	**84.6**	**75.8**	**129.9**	**16.1%**	**60.0%**	**39.1%**	**41.8%**
Net Loan Loss Provisions (LLP)	326	193	325	1,122	295	10.8	5.7	7.1	15.7	5.0	-40.9%	68.4%	245.4%	-73.7%
Pre-Tax Profits	**1,765**	**2,236**	**3,560**	**4,283**	**7,371**	**58.7**	**66.5**	**77.6**	**60.0**	**124.9**	**26.7%**	**59.2%**	**20.3%**	**72.1%**
Taxes	518	658	1,203	1,502	1,776	17.2	19.6	26.2	21.0	30.1	27.0%	82.7%	24.9%	18.3%
Net Profit	**1,246**	**1,578**	**2,358**	**2,781**	**5,595**	**41.4**	**47.0**	**51.4**	**39.0**	**94.8**	**26.6%**	**49.4%**	**18.0%**	**101.2%**
RATIOS														
Net Interest Margin (NII/ATA)	5.47%	5.51%	4.96%	7.20%	11.20%	5.47%	5.51%	4.96%	7.20%	11.20%	0.04%	-0.55%	2.24%	4.01%
Net Interest Income (% of Revenue)	51.6%	48.1%	39.5%	54.3%	71.5%	51.6%	48.1%	39.5%	54.3%	71.5%	-3.5%	-8.6%	14.8%	17.2%
Fees (% of Banking Income)	18.0%	16.5%	14.7%	12.5%	9.6%	18.0%	16.5%	14.7%	12.5%	9.6%	-1.5%	-1.9%	-2.1%	-2.9%
Staff Costs (% of Total Costs)	58.4%	55.2%	58.5%	56.9%	58.3%	58.4%	55.2%	58.5%	56.9%	58.3%	-3.2%	3.3%	-1.6%	1.4%
Costs per Employee ('000)	1,398	1,490	1,732	2,067	2,702	46.5	44.3	37.7	29.0	45.8	6.6%	16.3%	19.3%	30.7%
Cost-to-Income (incl. Depreciation)	54.4%	54.6%	46.8%	44.4%	41.5%	54.4%	54.6%	46.8%	44.4%	41.5%	0.2%	-7.8%	-2.4%	-2.9%
Net LLP (% of Loans)	1.72%	0.84%	1.21%	3.81%	1.34%	1.72%	0.84%	1.21%	3.81%	1.34%	-0.88%	0.37%	2.60%	-2.47%
Tax Rate	29.4%	29.4%	33.8%	35.1%	24.1%	29.4%	29.4%	33.8%	35.1%	24.1%	0.1%	4.3%	1.3%	-11.0%
ROE	18.4%	19.8%	23.0%	22.1%	32.0%	18.4%	19.8%	23.0%	22.1%	32.0%	1.4%	3.1%	-0.9%	9.9%
ROA	2.83%	3.20%	3.52%	3.49%	6.40%	2.83%	3.20%	3.52%	3.49%	6.40%	0.37%	0.32%	-0.03%	2.91%
Loans/Deposits	53.0%	59.6%	53.9%	47.9%	33.5%	53.0%	59.6%	53.9%	47.9%	33.5%	6.7%	-5.7%	-6.0%	-14.4%
Loans/Assets	42.9%	46.5%	40.1%	37.0%	25.2%	42.9%	46.5%	40.1%	37.0%	25.2%	3.5%	-6.3%	-3.1%	-11.8%
Deposits/Liabilities	95.8%	92.9%	88.0%	91.8%	94.0%	95.8%	92.9%	88.0%	91.8%	94.0%	-2.9%	-4.9%	3.8%	2.2%
Loans in Local Currency (% Total)	63.4%	66.6%	64.9%	62.0%	56.3%	63.4%	66.6%	64.9%	62.0%	56.3%	3.3%	-1.8%	-2.8%	-5.8%
Deposits in Local Currency (% Total)	47.6%	49.8%	45.0%	45.3%	56.0%	47.6%	49.8%	45.0%	45.3%	56.0%	2.2%	-4.8%	0.3%	10.7%
Loans per Branch ('000)	511,382	558,809	671,831	737,206	550,330	17,001	16,631	14,637	10,332	9,324	9.3%	20.2%	9.7%	-25.3%
Deposits per Branch ('000)	965,314	937,161	1,246,781	1,539,928	1,643,227	32,092	27,892	27,163	21,583	27,842	-2.9%	33.0%	23.5%	6.7%
Solvency Ratio	13.3%	9.7%	15.3%	17.0%	20.4%	13.3%	9.7%	15.3%	17.0%	20.4%	-3.5%	5.6%	1.6%	3.5%
NPL Ratio	2.61%	2.03%	1.57%	7.93%	4.78%	2.61%	2.03%	1.57%	7.93%	4.78%	-0.58%	-0.46%	6.36%	-3.15%
NPL Coverage	85.8%	88.8%	130.2%	62.0%	149.1%	85.8%	88.8%	130.2%	62.0%	149.1%	3.0%	41.4%	-68.2%	87.1%
BS Provisions/Loans (gross)	2.24%	1.80%	2.05%	4.92%	7.13%	2.24%	1.80%	2.05%	4.92%	7.13%	-0.44%	0.25%	2.87%	2.21%

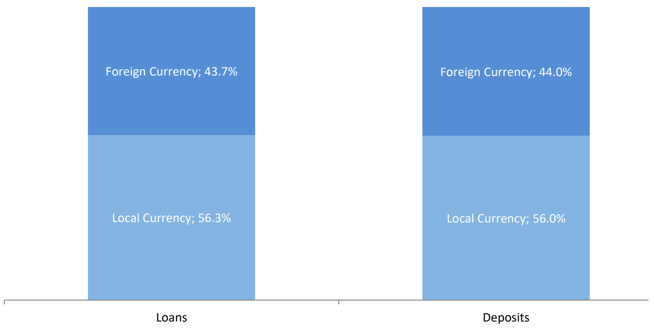
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



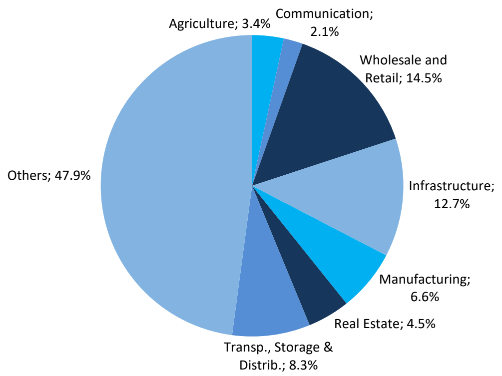
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



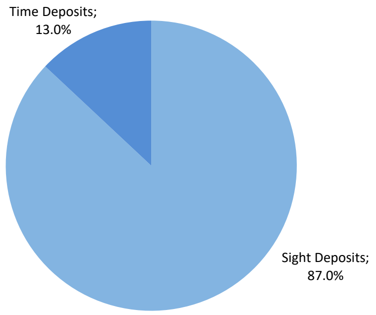
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



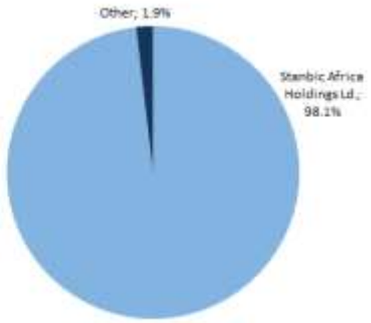
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

BARCLAYS BANK MOZAMBIQUE

The bank's net profit nearly doubled in 2017

Barclays Bank Mozambique's net profit nearly doubled to MZM 1,103 million (US$ 18.7 million) in 2017. This result reflects a significant improvement in the operating performance of the bank, as revenue growth clearly outperformed the increase in costs. The bottom-line was also aided by lower loan impairments that helped to attenuate part of the increase in taxes.

Revenues were boosted by a very strong contribution from net interest income, which helped to offset lower fees and other banking income

On the revenue side, net interest income represented nearly 85% of total revenues in the period. As was the case in other banks, net interest income was boosted by significant gains with the investment in treasury instruments as well as higher margins in the loan portfolio. The large increase in net interest income more than offset the impact from a double-digit decline in both fees and other banking income. This drop was due to the lower number of transactions carried out in the current economic environment in the country.

Total costs advanced at a rate slightly higher than the inflation rate

Meanwhile, total expenses advanced slightly ahead of the inflation rate for the year as a result of a higher increase in staff costs (26.5% YoY). These accounted for 48.3% of the total costs of the bank (vs. 45.3% in 2016). Despite these higher costs, the robust revenue performance recorded in the period allowed for a continued improvement in efficiency levels, as the cost-to-income ratio declined to 62% from 67% in 2016. It is worth noting that the bank has the second highest cost-to-income ratio among the largest players, standing only ahead of Moza Banco.

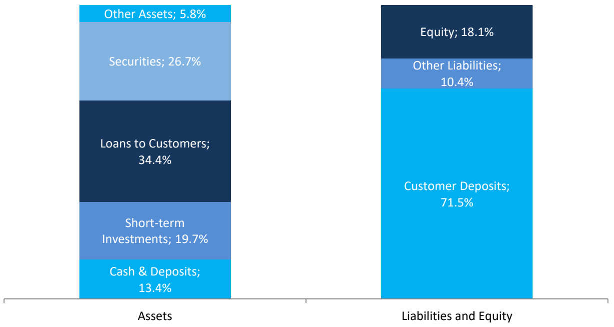
The NPL ratio stood very much in line with the average of the six largest banks

Below the operating income line, loan loss provisions fell by more than 43% in the period after more than doubling in 2016. As a result, cost of risk declined to 271bps (vs. 347bps in 2016), but remains above the levels of recent years. Loans impairments have been mostly allocated to the loan book of retail clients, as a significant rise in interest rates during 2016 had a profound impact on households' debt-service rate. Moreover, after a sharp increase in 2016, NPLs have fallen by 73% YoY, allowing the NPL ratio to improve from 17.82% to 6.55% last year. This is roughly in line with the average of the six largest banks (6.76%). Finally, the solvency ratio remained at a very comfortable 24.8% (up from 19.7% in the previous year).

BARCLAYS BANK MOZAMBIQUE	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	17,172	22,751	23,501	27,347	29,912	571	677	512	383	507	32.5%	3.3%	16.4%	9.4%
Customer Loans (net)	7,909	9,878	11,413	14,256	10,288	263	294	249	200	174	24.9%	15.5%	24.9%	-27.8%
Local Currency Loans	7,029	8,679	9,839	11,254	8,565	234	258	214	158	145	23.5%	13.4%	14.4%	-23.9%
Loan Loss Provisions	731	783	744	852	805	24	23	16	12	14	7.1%	-5.0%	14.5%	-5.5%
Non-Performing Loans	1,154	1,485	1,148	2,692	727	38	44	25	38	12	28.7%	-22.7%	134.4%	-73.0%
Customer Deposits	11,974	14,041	16,953	20,349	21,400	398	418	369	285	363	17.3%	20.7%	20.0%	5.2%
Local Currency Deposits	8,112	9,975	11,923	12,772	14,298	270	297	260	179	242	23.0%	19.5%	7.1%	12.0%
Sight Deposits	4,726	6,612	8,582	9,363	12,268	157	197	187	131	208	39.9%	29.8%	9.1%	31.0%
Equity	1,691	3,638	3,793	4,305	5,410	56	108	83	60	92	115.1%	4.2%	13.5%	25.6%
P&L ACCOUNT														
Net Interest Income	735	953	1,522	2,654	4,052	24.4	28.4	33.2	37.2	68.7	29.7%	59.7%	74.3%	52.7%
Fees & Commissions	441	393	488	395	355	14.6	11.7	10.6	5.5	6.0	-10.8%	24.3%	-19.1%	-10.1%
Other Banking Income	19	377	764	690	380	0.6	11.2	16.7	9.7	6.4	1885.0%	102.8%	-9.8%	-45.0%
Banking Income	**1,194**	**1,723**	**2,775**	**3,738**	**4,787**	**39.7**	**51.3**	**60.5**	**52.4**	**81.1**	**44.3%**	**61.1%**	**34.7%**	**28.0%**
Staff Costs	857	691	1,229	1,134	1,435	28.5	20.6	26.8	15.9	24.3	-19.3%	77.8%	-7.7%	26.5%
Other Costs	594	619	844	1,169	1,331	19.7	18.4	18.4	16.4	22.5	4.2%	36.4%	38.5%	13.8%
Depreciation	185	192	209	200	203	6.1	5.7	4.6	2.8	3.4	3.9%	8.9%	-4.3%	1.4%
Total Costs	**1,635**	**1,502**	**2,282**	**2,504**	**2,969**	**54.4**	**44.7**	**49.7**	**35.1**	**50.3**	**-8.1%**	**51.9%**	**9.7%**	**18.6%**
Operating Income	**-441**	**220**	**492**	**1,235**	**1,818**	**-14.7**	**6.6**	**10.7**	**17.3**	**30.8**	**n.m.**	**123.4%**	**150.7%**	**47.3%**
Net Loan Loss Provisions (LLP)	162	237	185	495	279	5.4	7.1	4.0	6.9	4.7	46.4%	-22.1%	167.7%	-43.6%
Pre-Tax Profits	**-603**	**-17**	**308**	**740**	**1,539**	**-20.1**	**-0.5**	**6.7**	**10.4**	**26.1**	**-97.2%**	**n.m.**	**140.5%**	**108.0%**
Taxes	0	0	0	165	436	0.0	0.0	0.0	2.3	7.4	n.m.	n.m.	n.m.	164.7%
Net Profit	**-603**	**-17**	**308**	**575**	**1,103**	**-20.1**	**-0.5**	**6.7**	**8.1**	**18.7**	**-97.2%**	**n.m.**	**86.9%**	**91.8%**
RATIOS														
Net Interest Margin (NII/ATA)	4.41%	4.77%	6.58%	10.44%	14.15%	4.41%	4.77%	6.58%	10.44%	14.15%	0.37%	1.81%	3.86%	3.72%
Net Interest Income (% of Revenue)	61.5%	55.3%	54.9%	71.0%	84.7%	61.5%	55.3%	54.9%	71.0%	84.7%	-6.2%	-0.5%	16.1%	13.7%
Fees (% of Banking Income)	36.9%	22.8%	17.6%	10.6%	7.4%	36.9%	22.8%	17.6%	10.6%	7.4%	-14.1%	-5.2%	-7.0%	-3.1%
Staff Costs (% of Total Costs)	52.4%	46.0%	53.8%	45.3%	48.3%	52.4%	46.0%	53.8%	45.3%	48.3%	-6.4%	7.8%	-8.5%	3.0%
Costs per Employee ('000)	990	740	1,475	1,370	1,733	32.9	22.0	32.1	19.2	29.4	-25.3%	99.4%	-7.1%	26.5%
Cost-to-Income (incl. Depreciation)	136.9%	87.2%	82.3%	67.0%	62.0%	136.9%	87.2%	82.3%	67.0%	62.0%	-49.7%	-5.0%	-15.3%	-5.0%
Net LLP (% of Loans)	2.05%	2.40%	1.62%	3.47%	2.71%	2.05%	2.40%	1.62%	3.47%	2.71%	0.35%	-0.78%	1.85%	-0.76%
Tax Rate	0.0%	0.0%	0.0%	22.3%	28.3%	0.0%	0.0%	0.0%	22.3%	28.3%	0.0%	0.0%	22.3%	6.1%
ROE	-35.7%	-0.5%	8.1%	13.4%	20.4%	-35.7%	-0.5%	8.1%	13.4%	20.4%	35.2%	8.6%	5.2%	7.0%
ROA	-3.51%	-0.07%	1.31%	2.10%	3.69%	-3.51%	-0.07%	1.31%	2.10%	3.69%	3.44%	1.38%	0.79%	1.58%
Loans/Deposits	66.1%	70.3%	67.3%	70.1%	48.1%	66.1%	70.3%	67.3%	70.1%	48.1%	4.3%	-3.0%	2.7%	-22.0%
Loans/Assets	46.1%	43.4%	48.6%	52.1%	34.4%	46.1%	43.4%	48.6%	52.1%	34.4%	-2.6%	5.1%	3.6%	-17.7%
Deposits/Liabilities	77.3%	73.5%	86.0%	88.3%	87.3%	77.3%	73.5%	86.0%	88.3%	87.3%	-3.9%	12.6%	2.3%	-1.0%
Loans in Local Currency (% Total)	88.9%	87.9%	86.2%	78.9%	83.3%	81.4%	81.4%	80.9%	74.5%	77.2%	-1.0%	-1.7%	-7.3%	4.3%
Deposits in Local Currency (% Total)	67.8%	71.0%	70.3%	62.8%	66.8%	67.8%	71.0%	70.3%	62.8%	66.8%	3.3%	-0.7%	-7.6%	4.1%
Loans per Branch ('000)	171,944	210,167	223,784	279,525	201,725	5,716	6,255	4,875	3,918	3,418	22.2%	6.5%	24.9%	-27.8%
Deposits per Branch ('000)	260,303	298,754	332,412	399,006	419,609	8,654	8,892	7,242	5,592	7,110	14.8%	11.3%	20.0%	5.2%
Solvency Ratio	8.2%	27.3%	24.7%	19.7%	24.8%	8.2%	27.3%	24.7%	19.7%	24.8%	19.1%	-2.6%	-5.0%	5.1%
NPL Ratio	13.36%	13.93%	9.44%	17.82%	6.55%	13.36%	13.93%	9.44%	17.82%	6.55%	0.57%	-4.48%	8.37%	-11.27%
NPL Coverage	63.4%	52.8%	64.8%	31.6%	110.8%	63.4%	52.8%	64.8%	31.6%	110.8%	-10.6%	12.0%	-33.2%	79.1%
BS Provisions/Loans (gross)	8.46%	7.35%	6.12%	5.64%	7.26%	8.46%	7.35%	6.12%	5.64%	7.26%	-1.11%	-1.23%	-0.48%	1.62%

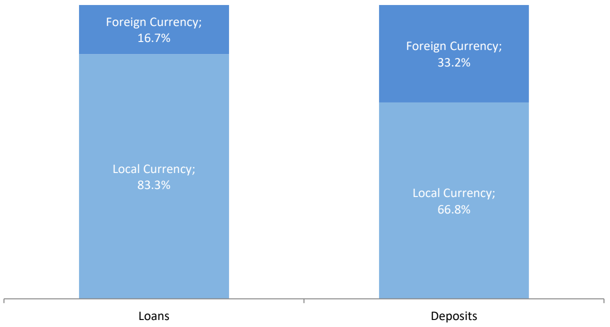
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



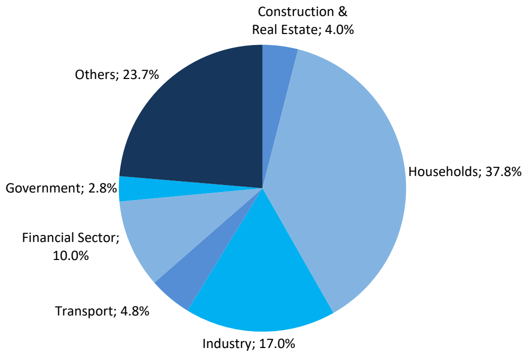
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



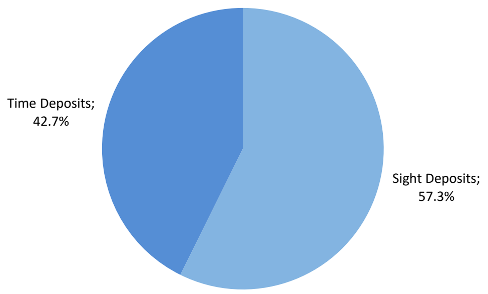
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



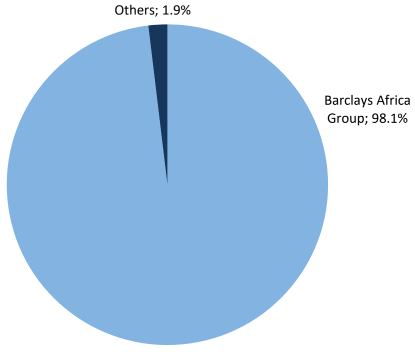
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

MOZA BANCO

Moza Banco reported a net loss of MZM 1,459 million (US$ -24.7 million) during 2017. This compares with a loss of MZM 5,268 million (US$ -73.8 million) in 2016. The bank's results continue to reflect a weak (although improving) operating performance and very high loan impairments (once again) in the period. In particular, Moza saw a nice improvement in revenue growth after a very weak contribution in 2016. Net interest income more than doubled while other banking income recovered from a loss in 2016, which was more than enough to offset a decline in fees. As in other banks, Moza reduced its loan portfolio and instead raised its exposure to more liquid assets with less risk, namely investments in other financial institutions and in treasury instruments. The decline in fee income reflects a reduction in commissions associated with credit operations and banking guarantees. The recovery in other banking income had to do with higher FX trading income and the recognition of lower FX revaluation losses after the bank decided to significantly reduce its FX exposure through swap operations.

Moza Banco reported a loss once again in 2017 after another weak operating performance and very high loan impairments

Total costs fell markedly from the previous year for several reasons. First, the lower staff costs reflect the fact that the bank was run by an interim board of directors elected by the Banco de Moçambique for more than half of 2017. Second, other costs declined significantly as a result of the renegotiation of several services contracts provided by external entities. As part of this process, the contracts in foreign currency started to be indexed at a fixed exchange rate from the second half of 2017 onwards. The lower costs also reflect a more favorable evolution of the metical, as certain costs remain indexed to foreign currencies. Overall, Moza's cost-to-income ratio fell significantly to 98.4%, but it clearly remains the highest amongst the largest banks.

A strong recovery in revenues and lower costs allowed for an improvement in the bank's operating performance

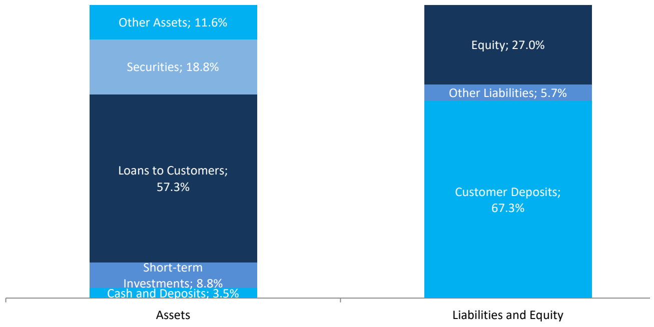
Below the operating income line, a further increase in loan loss provisions meant that the cost of risk advanced to 1,045bps (vs. 855bps in 2016), which clearly remains the highest amongst the banks in our sample. The bank reported a NPL ratio of 9.5%, with coverage of 171% (vs. 7.9% and 131.8%, respectively, in 2016). Finally, the solvency ratio stood at 23.5% after the capital increase operation of MZM 11,712 million (nearly US$ 200 million) in 2017.

The bank's solvency ratio stood at 23.5% after the capital increase operation in 2017

MOZA BANCO	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	14,820	23,100	31,369	27,673	26,676	493	688	683	388	452	55.9%	35.8%	-11.8%	-3.6%
Customer Loans (net)	8,249	13,650	17,937	17,146	15,281	274	406	391	240	259	65.5%	31.4%	-4.4%	-10.9%
Local Currency Loans	7,987	12,114	15,932	14,050	13,309	266	361	347	197	225	51.7%	31.5%	-11.8%	-5.3%
Loan Loss Provisions	230	369	515	1,980	2,947	8	11	11	28	50	60.5%	39.5%	284.8%	48.9%
Non-Performing Loans	278	311	420	1,502	1,723	9	9	9	21	29	11.8%	35.0%	257.8%	14.7%
Customer Deposits	11,602	16,914	24,735	16,058	17,960	386	503	539	225	304	45.8%	46.2%	-35.1%	11.8%
Local Currency Deposits	10,026	14,976	20,361	12,755	15,222	333	446	444	179	258	49.4%	36.0%	-37.4%	19.3%
Sight Deposits	4,681	6,268	9,519	7,882	6,788	156	187	207	110	115	33.9%	51.9%	-17.2%	-13.9%
Equity	1,351	2,098	2,441	-2,775	7,198	45	62	53	-39	122	55.3%	16.3%	-213.7%	-359.3%
P&L ACCOUNT														
Net Interest Income	652	779	725	946	1,968	21.7	23.2	15.8	13.3	33.3	19.5%	-6.9%	30.4%	108.1%
Fees & Commissions	236	341	432	386	324	7.8	10.2	9.4	5.4	5.5	44.6%	26.5%	-10.6%	-16.0%
Other Banking Income	310	669	1,350	-808	175	10.3	19.9	29.4	-11.3	3.0	116.1%	101.8%	n.m.	n.m.
Banking Income	**1,197**	**1,790**	**2,507**	**524**	**2,467**	**39.8**	**53.3**	**54.6**	**7.3**	**41.8**	**49.5%**	**40.1%**	**-79.1%**	**370.6%**
Staff Costs	467	622	887	1,005	943	15.5	18.5	19.3	14.1	16.0	33.2%	42.7%	13.3%	-6.2%
Other Costs	435	648	932	2,397	1,091	14.5	19.3	20.3	33.6	18.5	49.0%	43.7%	157.3%	-54.5%
Depreciation	150	195	322	417	394	5.0	5.8	7.0	5.8	6.7	30.0%	65.3%	29.5%	-5.5%
Total Costs	**1,052**	**1,465**	**2,140**	**3,819**	**2,427**	**35.0**	**43.6**	**46.6**	**53.5**	**41.1**	**39.3%**	**46.1%**	**78.4%**	**-36.4%**
Operating Income	**146**	**325**	**367**	**-3,295**	**40**	**4.8**	**9.7**	**8.0**	**-46.2**	**0.7**	**123.2%**	**13.0%**	**n.m.**	**n.m.**
Net Loan Loss Provisions (LLP)	109	145	276	1,465	1,597	3.6	4.3	6.0	20.5	27.1	33.6%	89.9%	430.4%	9.0%
Other	0	0	0	-681	100	0.0	0.0	0.0	-9.5	1.7	n.m.	n.m.	n.m.	n.m.
Pre-Tax Profits	**37**	**179**	**91**	**-5,441**	**-1,457**	**1.2**	**5.3**	**2.0**	**-76.3**	**-24.7**	**389.1%**	**-49.4%**	**n.m.**	**-73.2%**
Taxes	14	26	9	-172	2	0.5	0.8	0.2	-2.4	0.0	83.2%	-66.2%	n.m.	n.m.
Net Profit	**22**	**153**	**82**	**-5,268**	**-1,459**	**0.7**	**4.6**	**1.8**	**-73.8**	**-24.7**	**587.3%**	**-46.6%**	**n.m.**	**-72.3%**
RATIOS														
Net Interest Margin (NII/ATA)	5.54%	4.11%	2.66%	3.20%	7.24%	5.54%	4.11%	2.66%	3.20%	7.24%	-1.44%	-1.45%	0.54%	4.04%
Net Interest Income (% of Revenue)	54.4%	43.5%	28.9%	180.4%	79.8%	54.4%	43.5%	28.9%	180.4%	79.8%	-10.9%	-14.6%	151.5%	-100.6%
Fees (% of Banking Income)	19.7%	19.1%	17.2%	73.6%	13.1%	19.7%	19.1%	17.2%	73.6%	13.1%	-0.6%	-1.9%	56.4%	-60.5%
Staff Costs (% of Total Costs)	44.4%	42.4%	41.4%	26.3%	38.8%	44.4%	42.4%	41.4%	26.3%	38.8%	-1.9%	-1.0%	-15.1%	12.5%
Costs per Employee ('000)	1,068	977	1,109	1,375	1,288	36	29	24	19	22	4.1%	10.8%	9.7%	-2.6%
Cost-to-Income (incl. Depreciation)	87.8%	81.8%	85.4%	728.4%	98.4%	87.8%	81.8%	85.4%	728.4%	98.4%	-6.0%	3.5%	643.0%	-630.0%
Net LLP (% of Loans)	1.32%	1.07%	1.54%	8.55%	10.45%	1.32%	1.07%	1.54%	8.55%	10.45%	-0.25%	0.47%	7.01%	1.91%
Tax Rate	39.3%	14.7%	9.9%	3.2%	-0.1%	39.3%	14.7%	9.9%	3.2%	-0.1%	-24.6%	-4.9%	-6.7%	-3.3%
ROE	1.6%	7.3%	3.3%	189.8%	-20.3%	1.6%	7.3%	3.3%	189.8%	-20.3%	5.6%	-3.9%	186.5%	-210.1%
ROA	0.15%	0.66%	0.26%	-19.04%	-5.47%	0.15%	0.66%	0.26%	-19.04%	-5.47%	0.51%	-0.40%	-19.30%	13.57%
Loans/Deposits	71.1%	80.7%	72.5%	106.8%	85.1%	71.1%	80.7%	72.5%	106.8%	85.1%	9.6%	-8.2%	34.3%	-21.7%
Loans/Assets	55.7%	59.1%	57.2%	62.0%	57.3%	55.7%	59.1%	57.2%	62.0%	57.3%	3.4%	-1.9%	4.8%	-4.7%
Deposits/Liabilities	86.1%	80.5%	85.5%	52.7%	92.2%	86.1%	80.5%	85.5%	52.7%	92.2%	-5.6%	5.0%	-32.8%	39.5%
Loans in Local Currency (% Total)	96.8%	88.7%	88.8%	81.9%	87.1%	96.8%	88.7%	88.8%	81.9%	87.1%	-8.1%	0.1%	-6.9%	5.2%
Deposits in Local Currency (% Total)	86.4%	88.5%	82.3%	79.4%	84.8%	86.4%	88.5%	82.3%	79.4%	84.8%	2.1%	-6.2%	-2.9%	5.3%
Loans per Branch ('000)	229,135	303,330	304,025	311,746	288,321	7,618	9,028	6,624	4,369	4,885	32.4%	0.2%	2.5%	-7.5%
Deposits per Branch ('000)	322,276	375,877	419,232	291,969	338,870	10,714	11,187	9,134	4,092	5,742	16.6%	11.5%	-30.4%	16.1%
Solvency Ratio	13.5%	10.5%	9.9%	-98.9%	23.5%	13.5%	10.5%	9.9%	-98.9%	23.5%	-3.0%	-0.5%	-108.8%	122.3%
NPL Ratio	3.3%	2.2%	2.3%	7.9%	9.5%	3.28%	2.22%	2.27%	7.85%	9.45%	-1.06%	0.06%	5.58%	1.60%
NPL Coverage	82.6%	118.6%	122.6%	131.8%	171.1%	82.6%	118.6%	122.6%	131.8%	171.1%	36.0%	4.0%	9.2%	39.2%
BS Provisions/Loans (gross)	2.71%	2.63%	2.79%	10.35%	16.17%	2.71%	2.63%	2.79%	10.35%	16.17%	-0.08%	0.16%	7.56%	5.82%

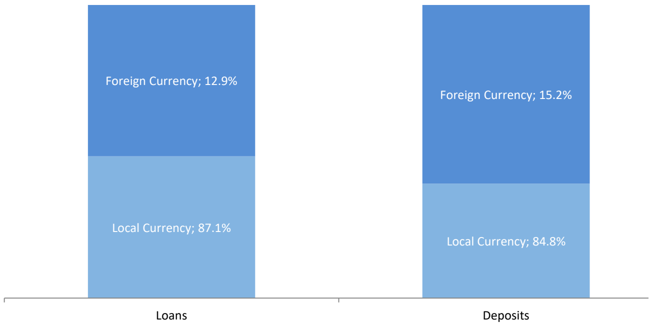
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



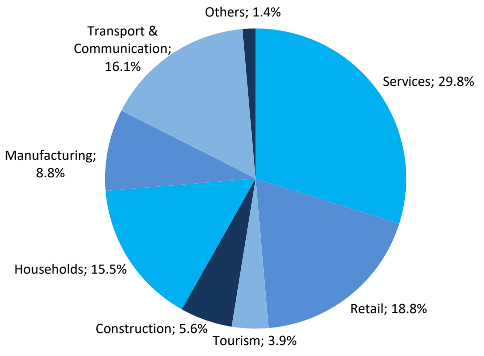
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



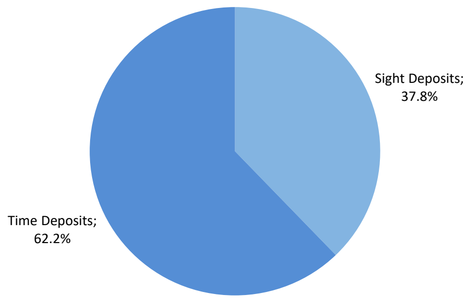
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



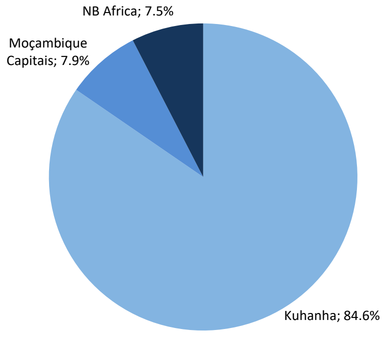
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

Sources: Annual Reports and Eaglestone Securities.

BANCO ÚNICO

Banco Único reported a net profit of MZM 521 million in 2017, aided by a healthy operating performance

Banco Único's net profit rose 18.4% YoY to MZM 521 million (US$ 8.8 million) in 2017. This evolution reflects a strong improvement in operating income that more than offset significantly higher loan impairments and taxes. Total revenues advanced more than 22% YoY, as both net interest income and fees recorded a healthy evolution in the period. In particular, the bank said that fees benefited from a favorable evolution in those commissions related to bank guarantees, transfers and electronic banking, with the latter being a key focus of the bank in recent years. On the other hand, there was a decline in other banking income that was due to a contraction in FX operations (both in terms of volume and margins in this type of transactions).

The cost-to-income ratio continued to improve

The evolution in costs (+7.1% YoY) mainly reflects the increase in the workforce (from 513 to 562 in 2017). However, it did not prevent the bank's cost-to-income ratio from posting another yearly improvement, as it declined to 51.0% in 2017 from 58.3% in the previous year.

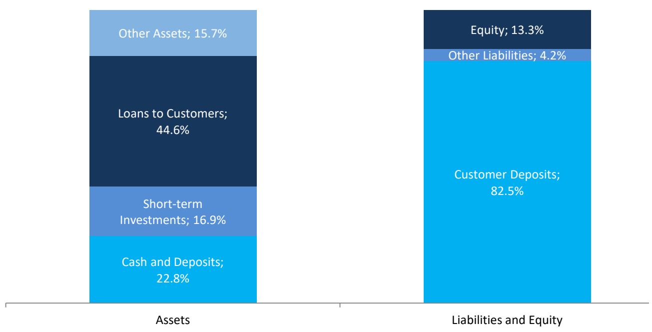
Loan impairments rose significantly in order to reflect the current macro environment

Below the operating income line, loan loss provisions more than doubled in the period in order to reflect the current macro environment in the country. This meant that cost of risk surged to 389bps (from 169bps in 2016). Moreover, the NPL ratio stood at 3.22%, with NPL coverage at 200%. This compares with 2.12% and 179.4%, respectively, in the previous year. Finally, the bank's solvency ratio stood at 17.7%, up from 12.4% recorded in 2016.

BANCO ÚNICO	MZM Million					US$ Million					% Change (MZM)			
Year	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	14/13	15/14	16/15	17/16
BALANCE SHEET														
Net Assets	8,958	12,584	16,998	22,741	24,154	298	375	370	319	409	40.5%	35.1%	33.8%	6.2%
Customer Loans (net)	5,398	7,564	9,185	11,404	10,769	179	225	200	160	182	40.1%	21.4%	24.2%	-5.6%
Local Currency Loans	4,512	6,567	8,118	9,126	8,133	150	195	177	128	138	45.6%	23.6%	12.4%	-10.9%
Loan Loss Provisions	129	245	435	450	741	4	7	9	6	13	89.2%	77.7%	3.5%	64.5%
Non-Performing Loans	76	139	320	251	370	3	4	7	4	6	82.5%	130.2%	-21.7%	47.6%
Customer Deposits	7,368	10,385	14,302	19,206	19,934	245	309	312	269	338	40.9%	37.7%	34.3%	3.8%
Local Currency Deposits	5,482	7,809	9,705	11,650	13,828	182	232	211	163	234	42.4%	24.3%	20.0%	18.7%
Sight Deposits	3,832	6,208	8,257	10,440	10,111	127	185	180	146	171	62.0%	33.0%	26.4%	-3.1%
Equity	936	1,205	1,986	2,432	3,203	31	36	43	34	54	28.8%	64.8%	22.5%	31.7%
P&L ACCOUNT														
Net Interest Income	382	611	850	1,246	1,770	12.7	18.2	18.5	17.5	30.0	60.0%	39.0%	46.6%	42.0%
Fees & Commissions	108	189	218	306	358	3.6	5.6	4.8	4.3	6.1	75.8%	15.1%	40.4%	16.8%
Other Banking Income	141	195	312	459	334	4.7	5.8	6.8	6.4	5.7	38.3%	59.8%	47.0%	-27.1%
Banking Income	**631**	**996**	**1,380**	**2,011**	**2,462**	**21.0**	**29.6**	**30.1**	**28.2**	**41.7**	**57.8%**	**38.5%**	**45.7%**	**22.4%**
Staff Costs	364	443	558	708	755	12.1	13.2	12.2	9.9	12.8	21.5%	26.1%	26.8%	6.8%
Other Costs	186	207	257	379	411	6.2	6.2	5.6	5.3	7.0	11.5%	24.0%	47.3%	8.5%
Depreciation	135	129	74	86	89	4.5	3.8	1.6	1.2	1.5	-5.0%	-42.1%	15.0%	4.5%
Total Costs	**685**	**779**	**890**	**1,172**	**1,256**	**22.8**	**23.2**	**19.4**	**16.4**	**21.3**	**13.6%**	**14.3%**	**31.7%**	**7.1%**
Operating Income	**-54**	**218**	**490**	**839**	**1,206**	**-1.8**	**6.5**	**10.7**	**11.8**	**20.4**	**n.m.**	**125.2%**	**71.1%**	**43.8%**
Net Loan Loss Provisions (LLP)	68	164	313	193	419	2.3	4.9	6.8	2.7	7.1	141.1%	90.9%	-38.2%	116.8%
Other	-20	-20	-24	-24	-18	-0.7	-0.6	-0.5	-0.3	-0.3	0.5%	21.5%	-3.0%	-21.7%
Pre-Tax Profits	**-142**	**34**	**153**	**622**	**769**	**-4.7**	**1.0**	**3.3**	**8.7**	**13.0**	**n.m.**	**351.9%**	**306.1%**	**23.6%**
Taxes	-41	14	36	182	248	-1.4	0.4	0.8	2.6	4.2	n.m.	155.9%	399.3%	36.1%
Net Profit	**-101**	**20**	**117**	**440**	**521**	**-3.4**	**0.6**	**2.5**	**6.2**	**8.8**	**n.m.**	**493.8%**	**277.0%**	**18.4%**
RATIOS														
Net Interest Margin (NII/ATA)	4.83%	5.68%	5.74%	6.27%	7.55%	4.83%	5.68%	5.74%	6.27%	7.55%	0.85%	0.07%	0.53%	1.28%
Net Interest Income (% of Revenue)	60.5%	61.4%	61.6%	62.0%	71.9%	60.5%	61.4%	61.6%	62.0%	71.9%	0.8%	0.2%	0.4%	9.9%
Fees (% of Banking Income)	17.1%	19.0%	15.8%	15.2%	14.5%	17.1%	19.0%	15.8%	15.2%	14.5%	1.9%	-3.2%	-0.6%	-0.7%
Staff Costs (% of Total Costs)	53.1%	56.8%	62.7%	60.4%	60.1%	53.1%	56.8%	62.7%	60.4%	60.1%	3.7%	5.9%	-2.4%	-0.2%
Costs per Employee ('000)	1,091	1,135	1,257	1,379	1,344	36	34	27	19	23	-8.5%	13.4%	24.0%	-6.3%
Cost-to-Income (incl. Depreciation)	108.6%	78.2%	64.5%	58.3%	51.0%	108.6%	78.2%	64.5%	58.3%	51.0%	-30.4%	-13.7%	-6.2%	-7.3%
Net LLP (% of Loans)	1.26%	2.17%	3.40%	1.69%	3.89%	1.26%	2.17%	3.40%	1.69%	3.89%	0.91%	1.24%	-1.71%	2.20%
Tax Rate	29.0%	42.0%	23.8%	29.2%	32.2%	29.0%	42.0%	23.8%	29.2%	32.2%	13.0%	-18.2%	5.5%	3.0%
ROE	-10.8%	1.6%	5.9%	18.1%	16.3%	-10.8%	1.6%	5.9%	18.1%	16.3%	12.4%	4.3%	12.2%	-1.8%
ROA	-1.13%	0.16%	0.69%	1.94%	2.16%	-1.13%	0.16%	0.69%	1.94%	2.16%	1.28%	0.53%	1.25%	0.22%
Loans/Deposits	73.3%	72.8%	64.2%	59.4%	54.0%	73.3%	72.8%	64.2%	59.4%	54.0%	-0.4%	-8.6%	-4.8%	-5.4%
Loans/Assets	60.3%	60.1%	54.0%	50.2%	44.6%	60.3%	60.1%	54.0%	50.2%	44.6%	-0.2%	-6.1%	-3.9%	-5.6%
Deposits/Liabilities	91.8%	91.3%	95.3%	94.6%	95.1%	91.8%	91.3%	95.3%	94.6%	95.1%	-0.6%	4.0%	-0.7%	0.6%
Loans in Local Currency (% Total)	83.6%	86.8%	88.4%	80.0%	75.5%	83.6%	86.8%	88.4%	80.0%	75.5%	3.2%	1.6%	-8.4%	-4.5%
Deposits in Local Currency (% Total)	74.4%	75.2%	67.9%	60.7%	69.4%	74.4%	75.2%	67.9%	60.7%	69.4%	0.8%	-7.3%	-7.2%	8.7%
Loans per Branch ('000)	337,401	444,916	510,284	570,223	538,468	11,217	13,242	11,117	7,992	9,123	31.9%	14.7%	11.7%	-5.6%
Deposits per Branch ('000)	460,501	610,869	794,546	960,296	996,717	15,309	18,181	17,310	13,459	16,888	32.7%	30.1%	20.9%	3.8%
Solvency Ratio	9.8%	10.0%	16.4%	12.4%	17.7%	9.8%	10.0%	16.4%	12.4%	17.7%	0.2%	6.4%	-4.0%	5.3%
NPL Ratio	1.38%	1.78%	3.33%	2.12%	3.22%	1.38%	1.78%	3.33%	2.12%	3.22%	0.40%	1.55%	-1.21%	1.10%
NPL Coverage	169.8%	175.9%	135.8%	179.4%	200.0%	169.8%	175.9%	135.8%	179.4%	200.0%	6.2%	-40.1%	43.6%	20.6%
BS Provisions/Loans (gross)	2.34%	3.14%	4.52%	3.80%	6.44%	2.34%	3.14%	4.52%	3.80%	6.44%	0.79%	1.39%	-0.72%	2.64%

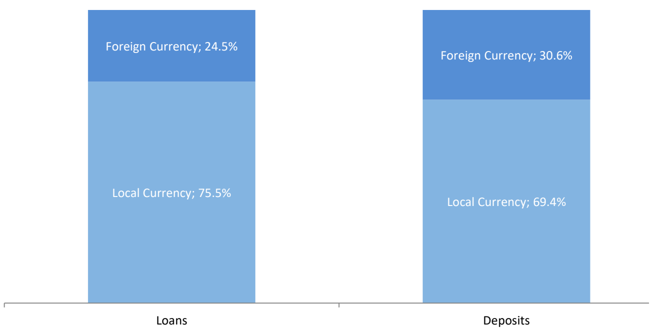
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2017



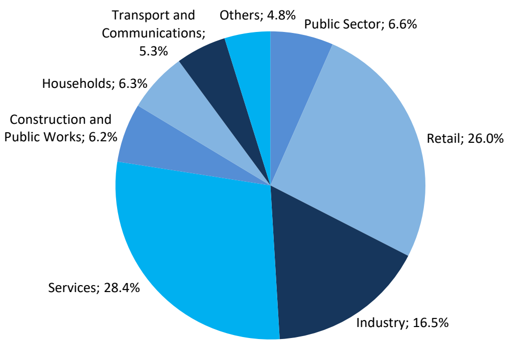
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2017



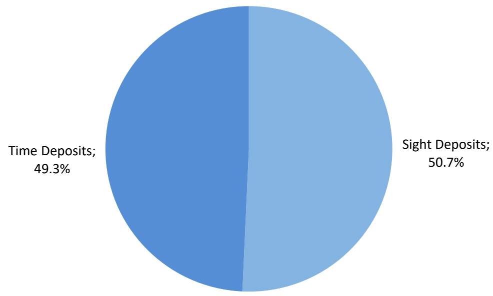
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2017



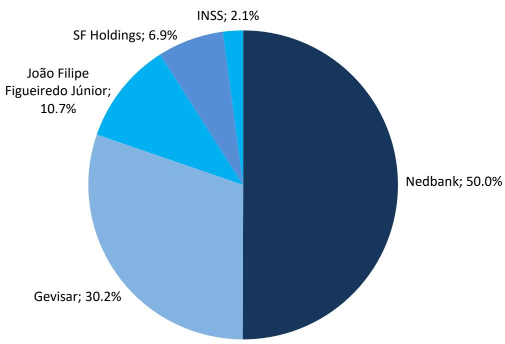
Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2017



Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2017



Sources: Annual Reports and Eaglestone Securities.

ANNEX I – SIX MAJOR BANKS COMPARISON (TABLES)

SIX MAJOR BANKS - MAIN INDICATORS								
Year	2010	2011	2012	2013	2014	2015	2016	2017
Net Interest Margin (NII/ATA)								
Banco Comercial e de Investimentos	4.87%	4.96%	3.92%	3.69%	4.02%	3.63%	4.55%	5.37%
Millennium bim	8.31%	9.93%	7.23%	6.28%	6.09%	5.48%	7.50%	9.01%
Standard Bank Mozambique	5.27%	7.05%	6.09%	5.47%	5.51%	4.96%	7.20%	11.20%
Barclays Bank Mozambique	8.02%	7.76%	5.48%	4.41%	4.77%	6.58%	10.44%	14.15%
Moza Banco	8.97%	7.32%	5.89%	5.54%	4.11%	2.66%	3.20%	7.24%
Banco Único	0.21%	-1.06%	1.25%	4.83%	5.68%	5.74%	6.27%	7.55%
Net Interest Income (% of Banking Revenue)								
Banco Comercial e de Investimentos	61.9%	60.8%	52.7%	52.9%	53.8%	48.0%	61.4%	67.3%
Millennium bim	59.6%	67.9%	61.4%	58.9%	61.0%	55.9%	66.8%	77.2%
Standard Bank Mozambique	53.4%	61.7%	54.2%	51.6%	48.1%	39.5%	54.3%	71.5%
Barclays Bank Mozambique	57.5%	71.1%	62.7%	61.5%	55.3%	54.9%	71.0%	84.7%
Moza Banco	58.8%	64.0%	59.0%	54.4%	43.5%	28.9%	180.4%	79.8%
Banco Único	-13.8%	20.6%	23.0%	60.5%	61.4%	61.6%	62.0%	71.9%
Fees (% of Banking Income)								
Banco Comercial e de Investimentos	14.1%	20.1%	20.6%	21.0%	21.3%	20.5%	21.0%	13.5%
Millennium bim	13.5%	14.5%	17.8%	20.1%	19.6%	17.9%	14.6%	13.6%
Standard Bank Mozambique	18.0%	15.0%	15.3%	18.0%	16.5%	14.7%	12.5%	9.6%
Barclays Bank Mozambique	18.8%	20.8%	29.3%	36.9%	22.8%	17.6%	10.6%	7.4%
Moza Banco	13.1%	13.4%	20.2%	19.7%	19.1%	17.2%	73.6%	13.1%
Banco Único	6.0%	-4.9%	24.3%	17.1%	19.0%	15.8%	15.2%	14.5%
Staff Costs (% of Total Costs)								
Banco Comercial e de Investimentos	44.4%	45.2%	48.9%	49.8%	47.0%	50.8%	52.1%	55.5%
Millennium bim	45.6%	46.3%	47.9%	47.6%	47.1%	45.2%	44.8%	43.6%
Standard Bank Mozambique	46.6%	53.1%	55.1%	58.4%	55.2%	58.5%	56.9%	58.3%
Barclays Bank Mozambique	39.2%	39.1%	42.4%	52.4%	46.0%	53.8%	45.3%	48.3%
Moza Banco	51.2%	45.9%	46.2%	44.4%	42.4%	41.4%	26.3%	38.8%
Banco Único	71.7%	71.2%	56.2%	53.1%	56.8%	62.7%	60.4%	60.1%
Costs per Employee ('000 MZM)								
Banco Comercial e de Investimentos	643	665	714	802	808	883	1,076	1,227
Millennium bim	696	651	730	765	817	892	1,039	1,073
Standard Bank Mozambique	941	1,167	1,276	1,398	1,490	1,732	2,067	2,702
Barclays Bank Mozambique	891	1,029	1,080	990	740	1,475	1,370	1,733
Moza Banco	1,145	893	868	1,068	977	1,109	1,375	1,288
Banco Único	334	1,675	1,308	1,091	1,135	1,257	1,379	1,344
Total Costs per Branch ('000 MZM)								
Banco Comercial e de Investimentos	20,514	20,910	21,751	25,698	25,128	27,419	31,969	33,176
Millennium bim	23,594	22,695	23,159	23,830	24,772	27,455	31,684	32,738
Standard Bank Mozambique	46,886	57,693	65,970	67,382	71,195	85,336	107,732	135,753
Barclays Bank Mozambique	24,338	32,712	33,705	35,549	31,962	44,753	49,095	58,207
Moza Banco	48,477	23,196	19,077	29,217	32,548	36,278	69,435	45,802
Banco Único	n.a.	65,183	44,401	42,840	45,797	49,439	58,612	62,798
Cost-to-Income (incl. Depreciation)								
Banco Comercial e de Investimentos	60.5%	62.9%	62.9%	64.8%	62.2%	61.9%	61.9%	54.4%
Millennium bim	40.6%	36.4%	44.0%	43.6%	42.9%	42.1%	38.3%	37.9%
Standard Bank Mozambique	59.1%	51.4%	51.8%	54.4%	54.6%	46.8%	44.4%	41.5%
Barclays Bank Mozambique	91.1%	104.6%	119.8%	136.9%	87.2%	82.3%	67.0%	62.0%
Moza Banco	49.4%	88.4%	101.8%	87.8%	81.8%	85.4%	728.4%	98.4%
Banco Único	n.m.	n.m.	233.1%	108.6%	78.2%	64.5%	58.3%	51.0%
Net LLP (% of Loans)								
Banco Comercial e de Investimentos	0.48%	0.81%	0.18%	0.85%	1.30%	1.05%	1.25%	3.71%
Millennium bim	2.10%	2.24%	1.22%	0.93%	0.88%	1.65%	2.10%	3.26%
Standard Bank Mozambique	0.16%	1.05%	2.18%	1.72%	0.84%	1.21%	3.81%	1.34%
Barclays Bank Mozambique	1.51%	4.20%	7.36%	2.05%	2.40%	1.62%	3.47%	2.71%
Moza Banco	0.40%	0.27%	1.44%	1.32%	1.07%	1.54%	8.55%	10.45%
Banco Único	n.a.	1.98%	1.94%	1.26%	2.17%	3.40%	1.69%	3.89%
Tax Rate								
Banco Comercial e de Investimentos	17.0%	18.3%	15.1%	12.2%	25.2%	28.7%	25.3%	3.9%
Millennium bim	18.0%	17.6%	17.3%	17.4%	18.5%	19.3%	28.1%	23.6%
Standard Bank Mozambique	31.0%	30.9%	29.3%	29.4%	29.4%	33.8%	35.1%	24.1%
Barclays Bank Mozambique	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.3%	28.3%
Moza Banco	29.9%	22.4%	17.9%	39.3%	14.7%	9.9%	3.2%	-0.1%
Banco Único	26.5%	31.9%	32.4%	29.0%	42.0%	23.8%	29.2%	32.2%
ROE								
Banco Comercial e de Investimentos	26.1%	23.7%	24.5%	19.8%	17.6%	16.5%	12.6%	15.1%
Millennium bim	28.5%	33.2%	24.2%	22.3%	20.7%	18.3%	21.3%	21.5%
Standard Bank Mozambique	27.6%	22.8%	20.5%	18.4%	19.8%	23.0%	22.1%	32.0%
Barclays Bank Mozambique	2.6%	-20.5%	-28.9%	-35.7%	-0.5%	8.1%	13.4%	20.4%
Moza Banco	20.1%	2.5%	-5.1%	1.6%	7.3%	3.3%	189.8%	-20.3%
Banco Único	-61.0%	-62.5%	-27.1%	-10.8%	1.6%	5.9%	18.1%	16.3%
ROA								
Banco Comercial e de Investimentos	1.95%	1.96%	1.90%	1.46%	1.32%	1.36%	1.00%	1.51%
Millennium bim	4.36%	5.93%	4.35%	3.94%	3.57%	3.10%	3.62%	4.49%
Standard Bank Mozambique	2.47%	3.42%	2.94%	2.83%	3.20%	3.52%	3.49%	6.40%
Barclays Bank Mozambique	0.41%	-2.41%	-4.53%	-3.51%	-0.07%	1.31%	2.10%	3.69%
Moza Banco	4.63%	0.73%	-0.78%	0.15%	0.66%	0.26%	-19.04%	-5.47%
Banco Único	-39.29%	-16.04%	-4.08%	-1.13%	0.16%	0.69%	1.94%	2.16%

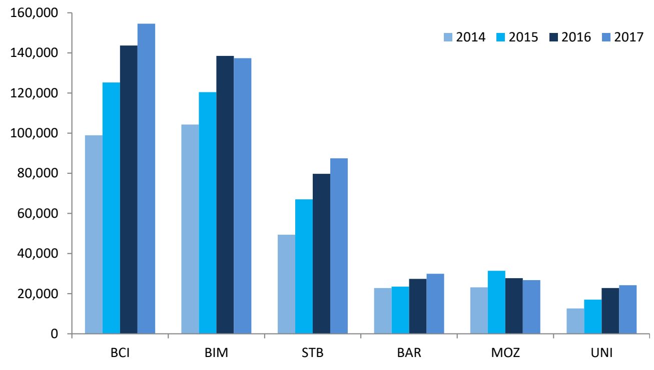
Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS - MAIN INDICATORS (CONT.)								
Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Loans/Deposits								
Banco Comercial e de Investimentos	88.8%	85.5%	73.4%	75.4%	80.0%	75.5%	80.4%	64.1%
Millennium bim	83.6%	75.4%	70.9%	74.2%	73.6%	74.4%	80.0%	61.6%
Standard Bank Mozambique	42.0%	46.4%	42.5%	53.0%	59.6%	53.9%	47.9%	33.5%
Barclays Bank Mozambique	69.2%	69.4%	58.7%	66.1%	70.3%	67.3%	70.1%	48.1%
Moza Banco	73.2%	82.1%	79.9%	71.1%	80.7%	72.5%	106.8%	85.1%
Banco Único	n.a.	13.1%	54.3%	73.3%	72.8%	64.2%	59.4%	54.0%
Loans/Assets								
Banco Comercial e de Investimentos	63.9%	63.0%	54.0%	54.7%	59.1%	55.4%	57.7%	46.9%
Millennium bim	62.7%	55.1%	52.3%	54.5%	54.5%	55.1%	56.5%	44.7%
Standard Bank Mozambique	35.2%	36.7%	35.3%	42.9%	46.5%	40.1%	37.0%	25.2%
Barclays Bank Mozambique	43.2%	45.6%	40.1%	46.1%	43.4%	48.6%	52.1%	34.4%
Moza Banco	53.8%	54.9%	57.2%	55.7%	59.1%	57.2%	62.0%	57.3%
Banco Único	n.a.	7.3%	43.8%	60.3%	60.1%	54.0%	50.2%	44.6%
Deposits/Liabilities								
Banco Comercial e de Investimentos	77.8%	80.3%	79.7%	78.3%	79.8%	79.9%	78.0%	81.2%
Millennium bim	88.5%	88.9%	89.8%	89.2%	89.5%	89.2%	85.1%	91.7%
Standard Bank Mozambique	92.0%	93.2%	96.7%	95.8%	92.9%	88.0%	91.8%	94.0%
Barclays Bank Mozambique	74.1%	74.5%	80.9%	77.3%	73.5%	86.0%	88.3%	87.3%
Moza Banco	95.6%	94.2%	84.4%	86.1%	80.5%	85.5%	52.7%	92.2%
Banco Único	n.a.	74.8%	94.8%	91.8%	91.3%	95.3%	94.6%	95.1%
Loans in Local Currency (% of Total)								
Banco Comercial e de Investimentos	58.3%	63.8%	57.8%	57.6%	63.4%	65.0%	56.2%	57.5%
Millennium bim	76.2%	80.9%	74.8%	76.1%	79.0%	78.5%	74.9%	76.5%
Standard Bank Mozambique	67.8%	69.2%	65.0%	63.4%	66.6%	64.9%	62.0%	56.3%
Barclays Bank Mozambique	86.2%	88.5%	93.6%	88.9%	87.9%	86.2%	78.9%	83.3%
Moza Banco	84.9%	82.8%	94.1%	96.8%	88.7%	88.8%	81.9%	87.1%
Banco Único	n.a.	51.6%	82.8%	83.6%	86.8%	88.4%	80.0%	75.5%
Deposits in Local Currency (% of Total)								
Banco Comercial e de Investimentos	58.7%	72.7%	75.2%	77.5%	77.1%	75.2%	68.2%	76.2%
Millennium bim	67.2%	74.8%	73.9%	77.1%	79.1%	75.0%	70.6%	75.6%
Standard Bank Mozambique	35.7%	48.7%	42.1%	47.6%	49.8%	45.0%	45.3%	56.0%
Barclays Bank Mozambique	76.0%	85.9%	71.6%	67.8%	71.0%	70.3%	62.8%	66.8%
Moza Banco	65.7%	74.8%	86.0%	86.4%	88.5%	82.3%	79.4%	84.8%
Banco Único	n.a.	84.2%	64.0%	74.4%	75.2%	67.9%	60.7%	69.4%
Loans per Branch ('000 MZM)								
Banco Comercial e de Investimentos	317,199	266,625	287,531	340,266	347,709	363,257	429,523	371,338
Millennium bim	277,639	247,770	253,181	305,227	342,137	392,491	444,790	330,178
Standard Bank Mozambique	314,469	375,166	439,188	511,382	558,809	671,831	737,206	550,330
Barclays Bank Mozambique	95,817	133,796	140,679	171,944	210,167	223,784	279,525	201,725
Moza Banco	391,472	152,104	155,261	229,135	303,330	304,025	311,746	288,321
Banco Único	n.a.	23,146	231,580	337,401	444,916	510,284	570,223	538,468
Deposits per Branch ('000 MZM)								
Banco Comercial e de Investimentos	357,174	311,862	391,848	451,314	434,556	481,154	534,275	579,496
Millennium bim	332,284	328,456	357,074	411,298	464,721	527,838	555,789	535,600
Standard Bank Mozambique	747,889	809,109	1,032,899	965,314	937,161	1,246,781	1,539,928	1,643,227
Barclays Bank Mozambique	138,448	192,754	239,669	260,303	298,754	332,412	399,006	419,609
Moza Banco	535,159	185,239	194,304	322,276	375,877	419,232	291,969	338,870
Banco Único	n.a.	176,706	426,416	460,501	610,869	794,546	960,296	996,717
Solvency Ratio								
Banco Comercial e de Investimentos	12.3%	13.1%	10.9%	11.9%	8.6%	12.7%	14.0%	17.1%
Millennium bim	15.1%	17.9%	21.7%	21.4%	19.0%	19.8%	18.8%	17.1%
Standard Bank Mozambique	10.8%	19.0%	17.7%	13.3%	9.7%	15.3%	17.0%	20.4%
Barclays Bank Mozambique	17.1%	16.8%	30.5%	8.2%	27.3%	24.7%	19.7%	24.8%
Moza Banco	n.a.	35.5%	17.6%	13.5%	10.5%	9.9%	-98.9%	23.5%
Banco Único	13.8%	37.4%	17.2%	9.8%	10.0%	16.4%	12.4%	17.7%
NPL Ratio								
Banco Comercial e de Investimentos	1.55%	1.13%	0.96%	2.79%	1.93%	1.21%	3.58%	8.40%
Millennium bim	1.11%	1.71%	2.12%	1.85%	2.47%	4.31%	4.04%	5.55%
Standard Bank Mozambique	0.79%	0.94%	2.77%	2.61%	2.03%	1.57%	7.93%	4.78%
Barclays Bank Mozambique	6.19%	13.99%	13.51%	13.36%	13.93%	9.44%	17.82%	6.55%
Moza Banco	3.69%	4.47%	1.54%	3.28%	2.22%	2.27%	7.85%	9.45%
Banco Único	n.a.	0.00%	0.15%	1.38%	1.78%	3.33%	2.12%	3.22%
NPL Coverage								
Banco Comercial e de Investimentos	140.7%	205.0%	198.3%	66.1%	122.7%	155.9%	66.1%	50.0%
Millennium bim	481.0%	414.0%	326.9%	315.7%	212.3%	137.5%	180.1%	174.2%
Standard Bank Mozambique	57.6%	88.4%	75.0%	85.8%	88.8%	130.2%	62.0%	149.1%
Barclays Bank Mozambique	54.1%	36.1%	73.8%	63.4%	52.8%	64.8%	31.6%	110.8%
Moza Banco	104.0%	61.1%	156.0%	82.6%	118.6%	122.6%	131.8%	171.1%
Banco Único	n.a.	n.a.	1379.4%	169.8%	175.9%	135.8%	179.4%	200.0%
BS Provisions/Loans (gross)								
Banco Comercial e de Investimentos	2.17%	2.32%	1.90%	1.84%	2.37%	1.89%	2.37%	4.20%
Millennium bim	5.36%	7.08%	6.93%	5.83%	5.23%	5.92%	7.28%	9.67%
Standard Bank Mozambique	0.45%	0.83%	2.08%	2.24%	1.80%	2.05%	4.92%	7.13%
Barclays Bank Mozambique	3.35%	5.05%	9.96%	8.46%	7.35%	6.12%	5.64%	7.26%
Moza Banco	3.84%	2.73%	2.41%	2.71%	2.63%	2.79%	10.35%	16.17%
Banco Único	n.a.	1.94%	2.00%	2.34%	3.14%	4.52%	3.80%	6.44%

Sources: Annual Reports and Eaglestone Securities.

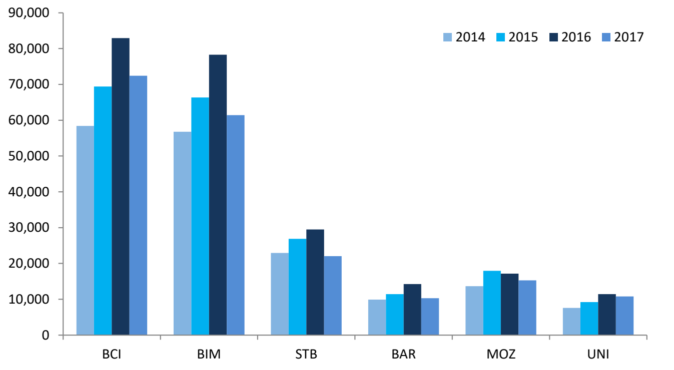
ANNEX II – SIX MAJOR BANKS COMPARISON (GRAPHS)

ASSETS (MZM MILLION)



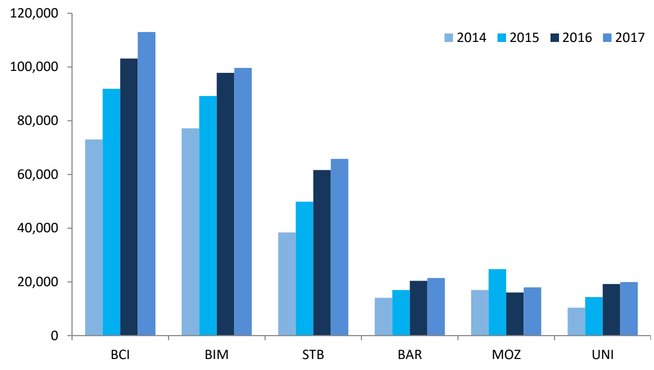
Sources: Annual Reports and Eaglestone Securities.

NET LOANS (MZM MILLION)



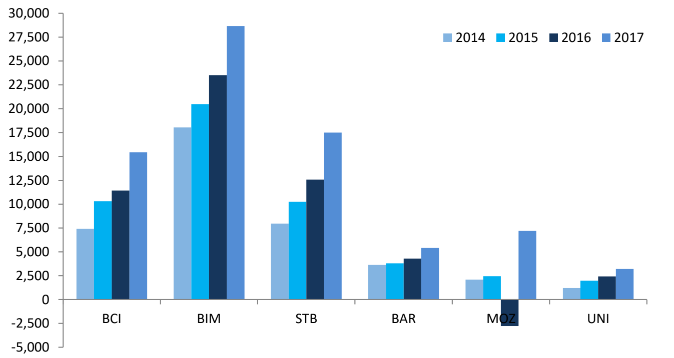
Sources: Annual Reports and Eaglestone Securities.

DEPOSITS (MZM MILLION)



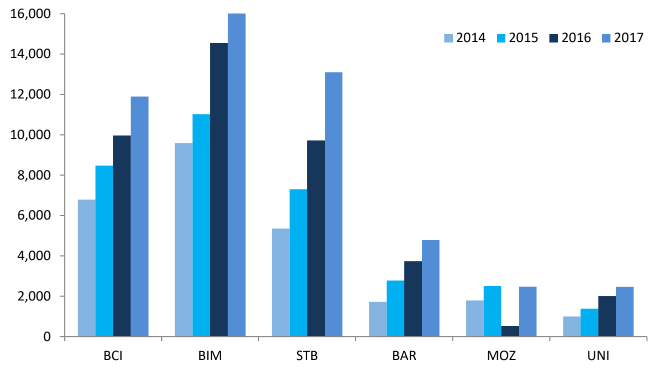
Sources: Annual Reports and Eaglestone Securities.

EQUITY (MZM MILLION)



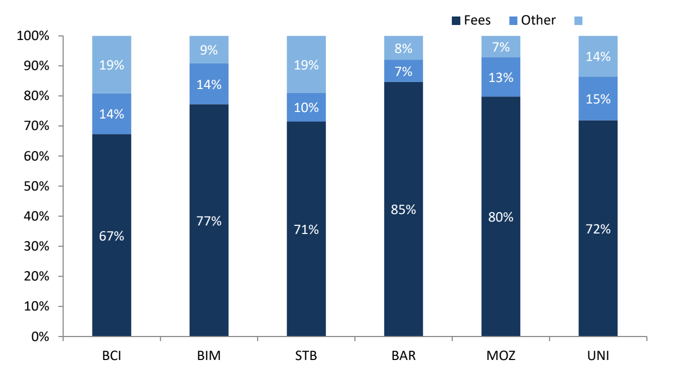
Sources: Annual Reports and Eaglestone Securities.

REVENUES (MZM MILLION)



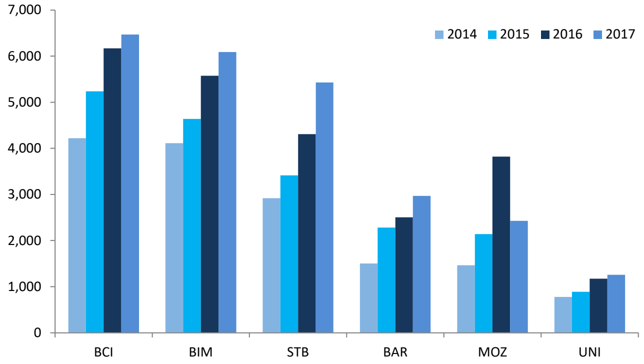
Sources: Annual Reports and Eaglestone Securities.

REVENUE BREAKDOWN - 2017



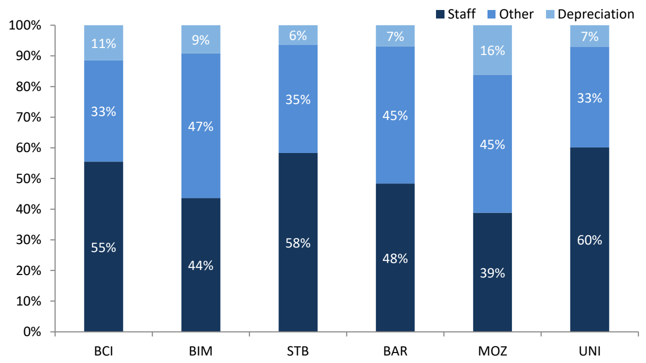
Sources: Annual Reports and Eaglestone Securities.

COSTS (MZM MILLION)



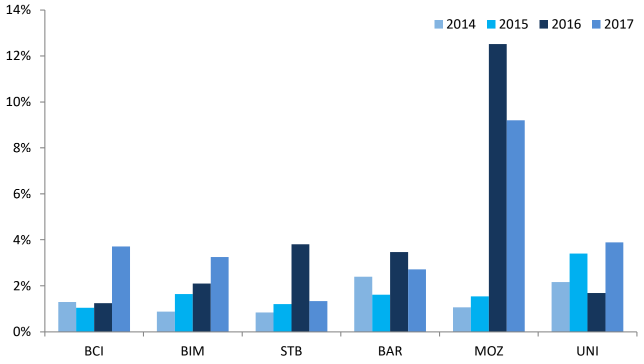
Sources: Annual Reports and Eaglestone Securities.

COSTS BREAKDOWN - 2017



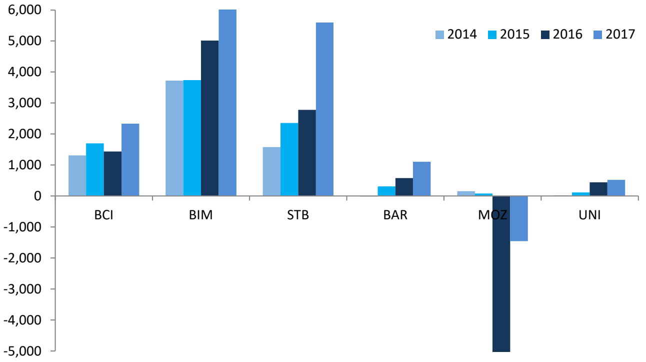
Sources: Annual Reports and Eaglestone Securities.

COST OF RISK (NET LOAN LOSS PROVISIONS / LOANS)



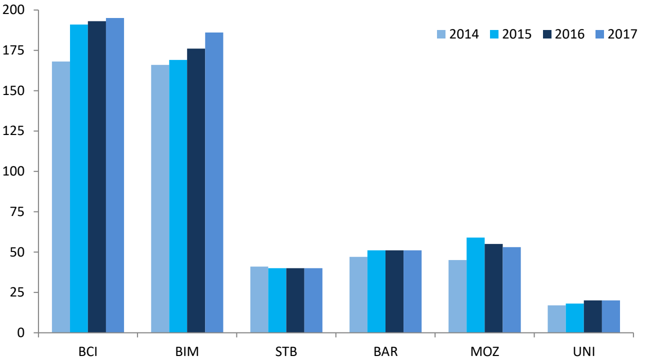
Sources: Annual Reports and Eaglestone Securities.

NET PROFIT (MZM MILLION)



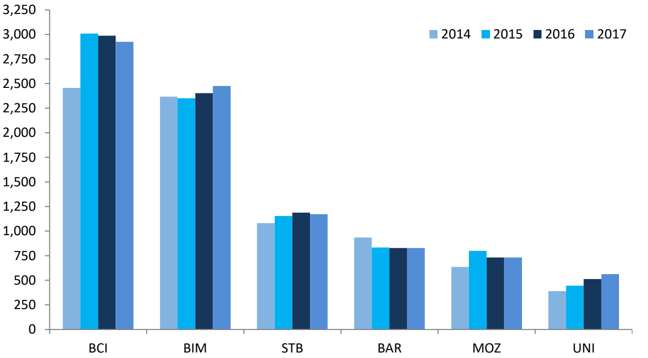
Sources: Annual Reports and Eaglestone Securities.

NUMBER OF BRANCHES



Sources: Annual Reports and Eaglestone Securities.

NUMBER OF EMPLOYEES



Sources: Annual Reports and Eaglestone Securities.

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Disclosures

Eaglestone was founded in December 2011 with the aim to be a committed partner for the development of businesses located primarily in Sub-Saharan Africa and to support the development of renewable energy projects on a global basis.

The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

Eaglestone is committed to operating and behaving according to the highest standards of corporate governance. Its subsidiary in the United Kingdom is authorized and regulated by the Financial Conduct Authority.

Eaglestone operates with a clear vision and mission to act on behalf of and in the best interests of all its stakeholders, whether they are investors, employees or users of its services.

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