



Mozambican Banks

Lower provisions drives net profit higher in 2018

Research

June 2019

Banks faced a slowing economy and lower interest rates

The performance of Mozambican banks in 2018 was affected by a slowing economy and a lower interest rate environment in the sector. Economic activity in the country expanded at a more moderate pace of 3.3%, standing below the 3.75% growth rate recorded during 2016-17 and the annual average of 6% in the last decade. A gradual drop in inflation allowed the central bank to continue easing monetary policy in the period, with its reference rates cut multiple times during the year and returned to 2016 levels. Commercial banks also adjusted their interest rates in response to lower central bank rates, particularly towards the latter part of 2018. This had an impact on margins and net interest income, which is by far the largest contributor to revenues.

Banking

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Net profit was largely boosted by lower loan provisions

The combined net profit of the six largest banks in the country (representing 85-90% of the sector) reached MZM 17,492 million (or US\$ 285 million) in 2018. This is nearly 23% more than the bottom-line recorded in the previous year. It partly reflects another (although softer) improvement in the operating performance of these banks, but, more importantly, it resulted from a sharp drop in loan impairments. We recall that most banks significantly raised provisions in 2016-17 to face the deterioration in credit quality and as a precaution to tackle a more challenging macro environment. This impact was largely reversed last year and had a very meaningful contribution to the total net profit of the largest banks.

Efficiency levels hit by softer revenue growth and higher costs

The operating performance showed that revenue growth slowed to mid-single digits. This was due to a marked deceleration in net interest income, which still accounted for over 70% of total banking income. These banks also saw a recovery in fees (after falling in 2017) that, in some cases, reflects higher retail banking activity and greater use of electronic banking platforms. Costs expanded above the inflation rate, as the sector continued to expand its branch network and hire more staff. Still, as in 2016-17, this was done at a much slower pace than in previous years. This means that the relatively softer revenue improvement led to an increase in the cost-to-income ratio to 49.2% in the period (up from 48.1% in 2017).

L/D ratio falls below 50% after another contraction in loan portfolio

The combined net assets of the six banks reached MZM 504,591 million (US\$ 8,209 million), a near 10% increase from the previous year. However, the deceleration in economic activity and more restrictive lending policies from several banks resulted in a contraction in their total loan portfolio. We highlight that net loans stood at just 36.8% of total assets (a multi-year low). Specifically, foreign currency loans dropped sharply again while loans in meticaís recovered modestly after a significant decline in 2017. On the other hand, deposits grew at a quicker double-digit pace, as deposits in meticaís and foreign currency both expanded at a healthy pace. Overall, loans and deposits in meticaís represented over 70% of their respective total while 60% of total deposits were sight deposits. The loans-to-deposits (L/D) ratio stood below 50% for the first time in many years. Asset quality ratios improved slightly in the period, with the NPL ratio reaching 5.95% and NPL coverage ratio at 165.9%. Finally, the total solvency ratio of the six banks stood at an estimated 22.8%, as all of them recorded a ratio well above the required 10% minimum level.

ECONOMIC OVERVIEW

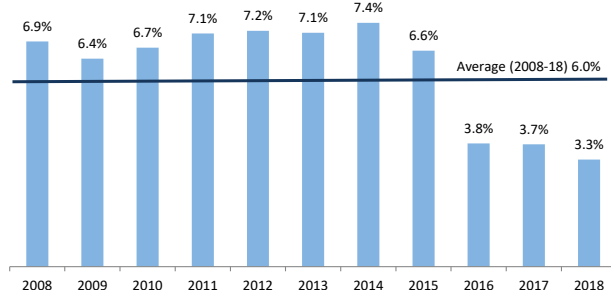
The Mozambican economy continued to decelerate in 2018, as real GDP advanced at a modest pace of 3.3% from about 3.75% in 2016-17. The mining industry (11.7%) remained the fastest growing sector in 2018 followed by education (6.1%) and public administration (5.1%). Data from the National Statistics Institute (INE) also showed that agriculture, which is by far the largest sector of the economy representing just over a fifth of the country's GDP, expanded by 3.5% in the period. This annual performance came after real GDP growth stood at 3.1% in the last three months of 2018 from the same period a year ago. It compares with 3.2% YoY in the previous quarter and confirmed that activity slowed in the second half of the year. Mining recorded a double-digit growth rate in the fourth quarter while agriculture recovered from a lackluster evolution in the first nine months of the year.

Economic activity continued to decelerate in 2018, particularly in the second half of the year

Overall, this means that economic growth in 2018 was yet again well below the annual average of 6% recorded during the period 2008-18. Still, it is worth noting that Mozambique continued to outperform the average of 3.1% for Sub-Saharan Africa, as the region continued to struggle to recoup from a prolonged deceleration in recent years.

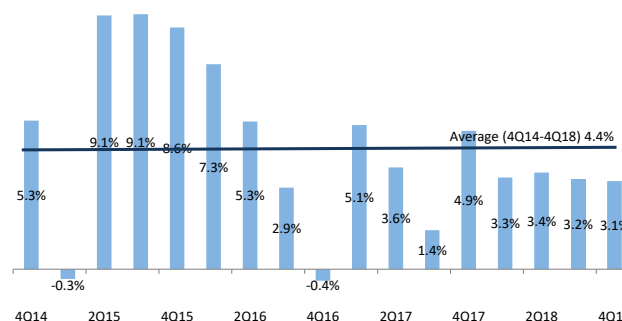
Real GDP growth in the country remained above the average in Sub-Saharan Africa

REAL GDP GROWTH (2008-18)



Sources: INE and Eaglestone Securities.

REAL GDP GROWTH (YOY; 4Q14 – 4Q18)

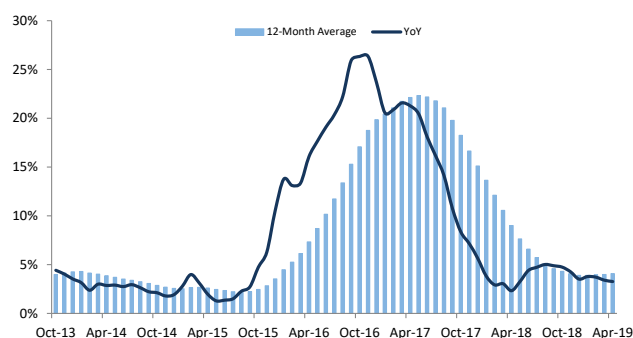


Sources: INE and Eaglestone Securities.

Data from INE also showed that average consumer price inflation declined to 3.91% in 2018. This is the lowest figure since end-2015 and compares with 15.1% in the previous year. Prices for the majority of product classes saw very modest increases last year, with the only noteworthy changes being the significantly higher costs for transports (11.5%) and healthcare (11.1%). The price of food items and non-alcoholic drinks, which is the largest product class of the consumer price index, remained unchanged from the previous year. In all, the strongest contributors to inflation were the transports and restaurants and hotels classes.

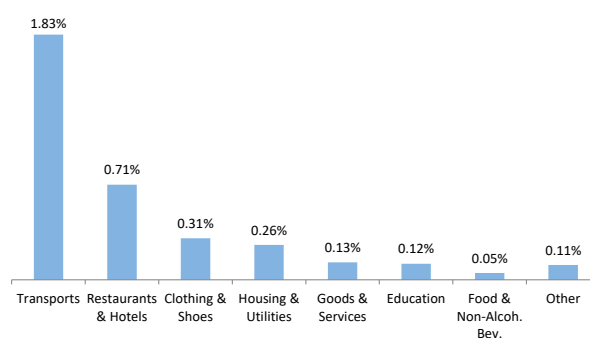
Average consumer price inflation reached 3.91% in 2018, the lowest level since end-2015

CONSUMER PRICE INDEX – YOY AND 12M AVERAGE



Source: INE.

STRONGEST CONTRIBUTORS TO INFLATION (2018)



Source: INE.

Lower inflation allowed the Banco de Moçambique to continue easing monetary policy during 2018. The reference lending rate (FPC) was cut three times for a total of 325 basis points (bps) (to 17.25%) since the start of the year while the interbank reference lending rate (MIMO) dropped 525bps (to 14.25%) in four rate cuts. Moreover, the central bank increased its reserve requirements in foreign currency by a total of 1,300bps (to 27%). We believe there is room for

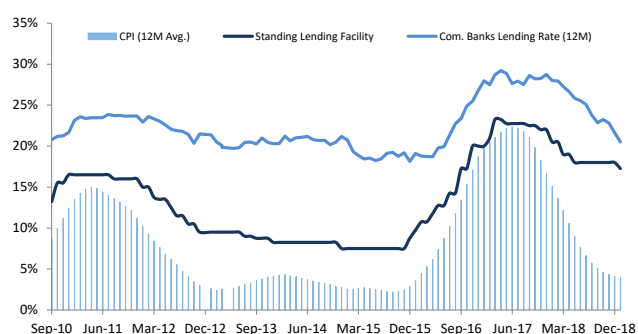
The central bank has room to continue to cut interest rates, but the pace of further monetary policy easing will depend on its assessment of macro risks

further monetary policy easing going forward. However, the pace of further rate cuts by the central bank will depend on its assessment of macroeconomic risks namely those related to the sustainability of the country's external position as well as the level of fiscal adjustments to be implemented by the government.

Commercial banks operating in the country also adjusted their interest rates in response to the cuts in central bank reference rates, with this adjustment gaining more momentum towards the latter part of the year. Central bank data shows that the average retail interest rate for a 12-month loan fell to 20.51% in December 2018 from 28% a year earlier. These lower rates have allowed the constant fall in credit growth witnessed since mid-2017 to be less pronounced. We note that the sectors mostly affected by the tight monetary policy implemented in recent years were agriculture, manufacturing, retail and individuals.

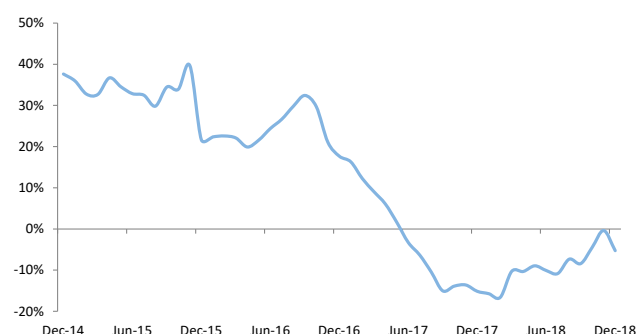
Commercial banks have begun to adjust interest rates, allowing the fall in credit growth to be less pronounced

INFLATION, CENTRAL AND COMMERCIAL BANKS RATES



Sources: INE and Banco de Moçambique.

CREDIT GROWTH (YOY CHANGE)



Source: Banco de Moçambique.

BANKING SECTOR OVERVIEW

The Mozambican banking sector includes 19 banks registered at the Banco de Moçambique. None of these banks is listed and most of them are units of foreign lenders or controlled by international investors. The local financial system also comprises nine smaller lenders (micro-banks), eight credit cooperatives and nearly 430 microfinance operators, which, for a country with a population of about 28 million, is quite significant when compared with other countries in the African continent.

There are currently 19 banks registered at the Banco de Moçambique

MOZAMBIKAN 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	Kuhanha (4) (Moçambique)
Banco Terra	2008	Rabobank (Netherlands)
United Bank for Africa Moçambique	2010	UBA (Nigeria)
Banco Mais (5)	2010	BISON Capital Financial Holding (China)
Banco Nacional de Investimento	2011	IGEPE (Moçambique)
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 Mauritius Commercial Bank (Moçambique); (2) Ecobank bought Banco ProCredit in June 2014;

(3) Previously Banco Oportunidade de Moçambique; (4) Manages the pension fund of Banco de Moçambique; (5) Previously Banco Tchuma.

Sources: Annual Reports and Eaglestone Securities.

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 increased pressure since 2016 as a

Mozambican banks have historically recorded attractive profitability levels

result of the deceleration in economic activity in the country and also some shortage of dollars that led to a sharp depreciation of the local currency that year. Banks were further impacted by the announcement of 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 in 2017, with three of them ceasing operations after seeing their banking licenses revoked. These 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.

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

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 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 at the time that these measures might lead to consolidation in the sector or force financial institutions to change their operating models.

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

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

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

OVERVIEW OF 2018 RESULTS

In this report, we look at the 2018 financial accounts of the six largest banks operating in the country and extrapolate these figures in order to try to analyze the main trends for the sector. These banks are Banco Comercial e de Investimento (BCI), 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 2018 results of the six largest banks operating in Mozambique

SIX MAJOR BANKS - 2018	Million									
	Assets		Loans		Deposits		Net Profit			
	MZM	US\$	MZM	US\$	MZM	US\$	MZM	US\$	Branches	Employeee
BCI - Fomento	153,808	2,502	65,375	1,064	115,737	1,883	4,047	66	200	2,890
Millennium bim	150,808	2,453	50,165	816	110,727	1,801	6,809	111	193	2,461
Standard Bank Moçambique	99,928	1,626	28,296	460	73,940	1,203	5,587	91	40	1,191
Barclays Bank Moçambique	37,710	613	11,941	194	27,478	447	1,380	22	44	794
Moza Banco	36,411	592	17,986	293	24,893	405	-768	-13	55	753
Banco Único	25,926	422	11,878	193	21,855	356	437	7	23	616

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 2018 accounts 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 net assets of these six banks reached MZM 504,591 million (US\$ 8,209 million)

Net assets advanced by a more modest 4.7% last

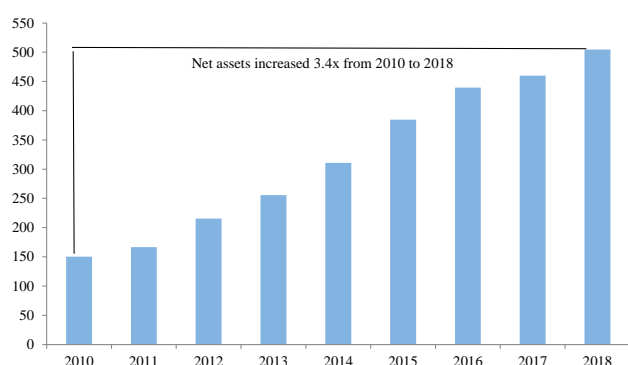
in 2018, a near double-digit increase of 9.7% from the previous year. Although this growth rate is stronger than the one recorded in 2017 (4.7%), it is well below the annual average of 17.6% recorded during the period 2010-17 and largely reflects another decline in net loans. Indeed, the combined loan portfolio of the six banks fell 3.4% YoY to MZM 185,640 million, as loans in foreign currency saw another sharp yearly drop of 15.9% (after already falling 19.1% in 2017). This impact more than offset a slight increase of 2.4% in loans denominated in meticaís. Most banks mentioned that the contraction in the loan portfolio was mostly due to (1) lower demand for credit from customers, reflecting a deceleration in economic activity in the country and (2) more restrictive lending policies from the banking sector under the more challenging economic environment.

year, reflecting a decline in the loan portfolio

Overall, the combined net loans of these six banks accounted for 36.8% of their assets in 2018, which is once again well below the levels witnessed in recent years (above 50%) while local currency denominated loans continued to account for more than two-thirds of their total loan portfolio (72% vs. 67.9% in 2017).

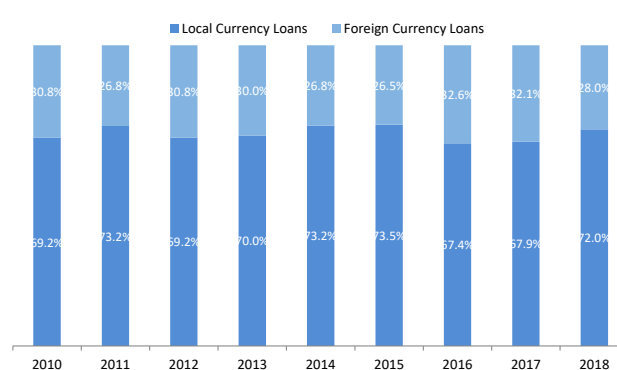
Net loans were only 36.8% of total assets while loans in meticaís still represented more than 2/3 of the total

NET ASSETS (2010-18) – BILLION MZM



Sources: Annual Reports and Eaglestone Securities.

LOANS BY TYPE OF CURRENCY (2010-18)



Sources: Annual Reports and Eaglestone Securities.

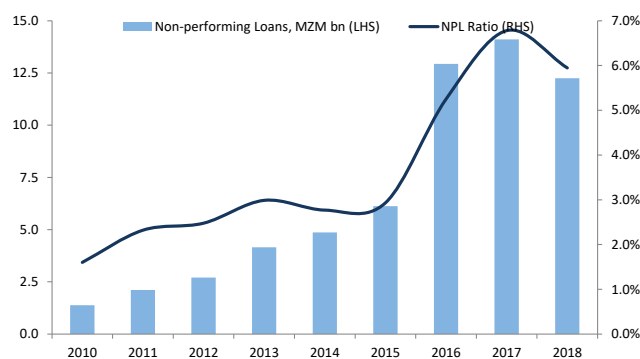
Loan loss provisions in the balance sheet continued to advance at a rapid pace (27.6% YoY) and represented 9.86% of total gross loans (7.65% in 2017). These higher provisioning levels reflect (1) the recent deterioration in asset quality ratios, particularly in 2016-17, (2) the strong loan growth recorded over the years (CAGR of 11.1% in the period 2010-18) and (3) a more prudent approach from the banking sector in the current economic backdrop.

Provisions in the balance sheet rose markedly on the back of the deterioration in asset quality, strong loan growth and more prudent approach from the sector

The combined NPL ratio of these six banks improved slightly to 5.95% in 2018 from 6.78% in the previous year, as the gradual decline in interest rates during the year had a favorable impact on affordability levels. Nevertheless, it is worth highlighting that the NPL ratio for these banks remains close to multi-year highs as it stood at 5.25% in 2016 and below 3% in the years prior to that. In absolute terms, NPLs fell by 13.2% YoY after more than doubling in 2016 and rising 9.1% in 2017. The NPL coverage ratio (measured by provisions over NPLs) rose significantly to 165.9% from 112.9% in 2017.

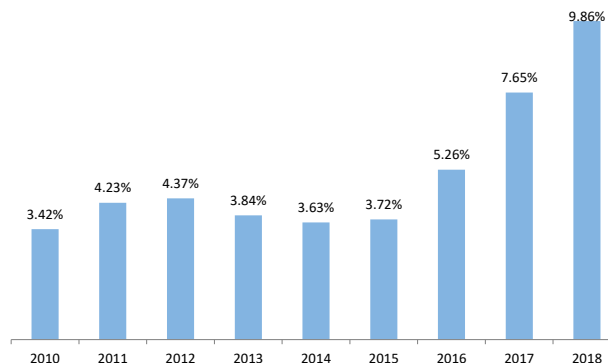
Asset quality ratios improved slightly as a result of the favorable impact of lower interest rates on affordability levels

ASSET QUALITY INDICATORS (2010-18)



Sources: Annual Reports and Eaglestone Securities.

BAL. SHEET PROVISIONS (% OF GROSS LOANS) (2010-18)

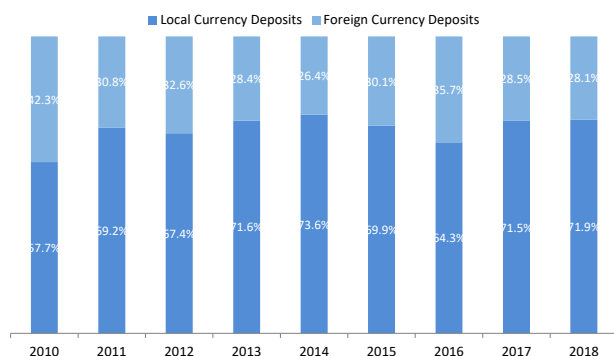


Sources: Annual Reports and Eaglestone Securities.

Meanwhile, total deposits of these six banks expanded 11% YoY (vs. 6.1% in 2017), reaching MZM 374,629 million (US\$ 6,095 million). Deposits are clearly the main source of funding of the sector, as they represented 90.5% of total liabilities. Deposits in meticaís advanced 11.5% and accounted for 71.9% of the total deposit base, while deposits denominated in foreign currency rose 9.5% after falling 15.4% in 2017. Moreover, sight deposits represented 59.6% of total deposits, a figure that has not changed much in the period 2010-18.

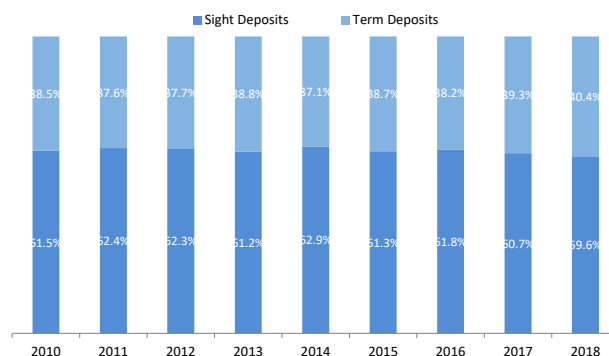
Deposit growth accelerated again in 2018 thanks to another double-digit increase in deposits in meticaís and a recovery in foreign currency deposits

DEPOSITS BY TYPE OF CURRENCY (2010-18)



Sources: Annual Reports and Eaglestone Securities.

DEPOSITS BY MATURITY (2010-18)

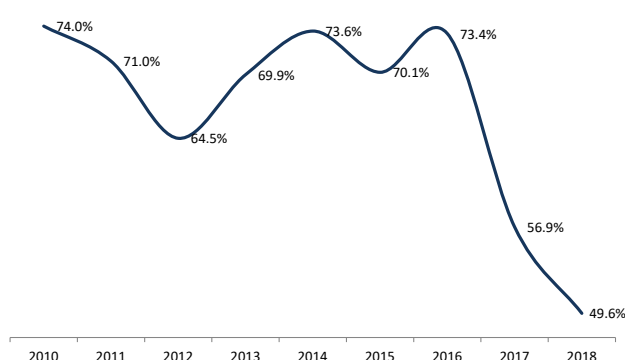


Sources: Annual Reports and Eaglestone Securities.

All in all, this means that the loans-to-deposits ratio fell significantly once again to 49.6% from 56.9% in 2017. We note that this is the first time that this ratio stands below the 50%-level in our analysis period of 2010-18. Also, according to our estimates, the combined solvency ratio of the six banks improved to 22.8% (from 19.3% in the previous year), clearly surpassing the regulatory requirement of 12% imposed by the Banco de Moçambique for banks operating in the country. Recall 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 in 2017.

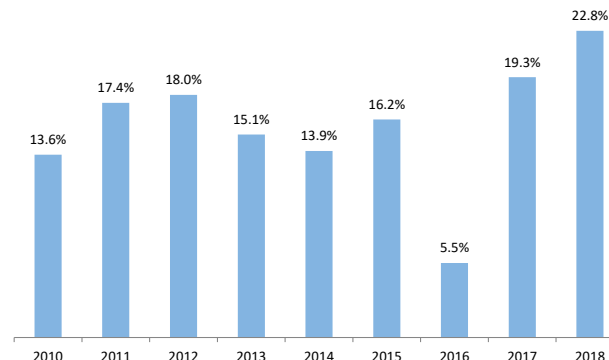
The loans-to-deposits ratio fell to 49.6% while the solvency ratio improved to an estimated 22.8%

LOANS TO DEPOSITS RATIO (2010-18)



Sources: Annual Reports and Eaglestone Securities.

SOLVENCY RATIO (2010-18)



Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS	Million MZM					Million US\$					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCESHEET														
Net Assets	310,879	384,508	439,513	460,058	504,591	9,252	8,377	6,160	7,795	8,209	23.7%	14.3%	4.7%	9.7%
Customer Loans (net)	169,212	201,122	233,476	192,176	185,640	5,036	4,382	3,272	3,256	3,020	18.9%	16.1%	-17.7%	-3.4%
Local Currency Loans	124,510	148,468	157,915	131,028	134,193	3,706	3,235	2,213	2,220	2,183	19.2%	6.4%	-17.0%	2.4%
Foreign Currency Loans	44,702	52,654	75,560	61,147	51,447	1,330	1,147	1,059	1,036	837	17.8%	43.5%	-19.1%	-15.9%
Loan Loss Provisions	6,370	7,767	12,964	15,927	20,315	190	169	182	270	330	21.9%	66.9%	22.9%	27.6%
Non-Performing Loans	4,862	6,124	12,937	14,108	12,248	145	133	181	239	199	25.9%	111.3%	9.1%	-13.2%
Customer Deposits	229,913	286,966	318,145	337,647	374,629	6,843	6,252	4,459	5,721	6,095	24.8%	10.9%	6.1%	11.0%
Local Currency Deposits	169,161	200,512	204,507	241,532	269,396	5,035	4,368	2,866	4,092	4,383	18.5%	2.0%	18.1%	11.5%
Foreign Currency Deposits	60,753	86,453	113,637	96,115	105,234	1,808	1,884	1,593	1,629	1,712	42.3%	31.4%	-15.4%	9.5%
Sight Deposits	144,567	175,862	196,625	204,859	223,162	4,303	3,831	2,756	3,471	3,630	21.6%	11.8%	4.2%	8.9%
Term Deposits	85,346	111,104	121,519	132,788	151,468	2,540	2,421	1,703	2,250	2,464	30.2%	9.4%	9.3%	14.1%
Equity	40,353	49,256	51,465	77,384	90,738	1,201	1,073	721	1,311	1,476	22.1%	4.5%	50.4%	17.3%
MAIN RATIOS														
Loans/Deposits	73.6%	70.1%	73.4%	56.9%	49.6%	73.6%	70.1%	73.4%	56.9%	49.6%	-3.5%	3.3%	-16.5%	-7.4%
Loans/Assets	54.4%	52.3%	53.1%	41.8%	36.8%	54.4%	52.3%	53.1%	41.8%	36.8%	-2.1%	0.8%	-11.3%	-5.0%
Deposits/Liabilities	85.0%	85.6%	82.0%	88.2%	90.5%	85.0%	85.6%	82.0%	88.2%	90.5%	0.6%	-3.6%	6.2%	2.3%
Loans in Local Currency (% of Total)	73.2%	73.5%	67.4%	67.9%	72.0%	73.2%	73.5%	67.4%	67.9%	72.0%	0.3%	-6.2%	0.5%	4.1%
Deposits in Local Currency (% of Total)	73.6%	69.9%	64.3%	71.5%	71.9%	73.6%	69.9%	64.3%	71.5%	71.9%	-3.7%	-5.6%	7.3%	0.4%
Sight Deposits (% of Total)	62.9%	61.3%	61.8%	60.7%	59.6%	62.9%	61.3%	61.8%	60.7%	59.6%	-1.6%	0.5%	-1.1%	-1.1%
Loans per Branch ('000 MZM/US\$)	352,525	386,773	443,028	358,537	334,487	10,492	8,426	6,209	6,075	5,441	9.7%	14.5%	-19.1%	-6.7%
Deposits per Branch ('000 MZM/US\$)	478,986	551,857	603,690	629,939	675,008	14,256	12,023	8,461	10,673	10,981	15.2%	9.4%	4.3%	7.2%
NPL Ratio	2.77%	2.93%	5.25%	6.78%	5.95%	2.77%	2.93%	5.25%	6.78%	5.95%	0.16%	2.32%	1.53%	-0.83%
NPL Coverage	131.0%	126.8%	100.2%	112.9%	165.9%	131.0%	126.8%	100.2%	112.9%	165.9%	-4.2%	-26.6%	12.7%	53.0%
BS Provisions/Loans (gross)	3.63%	3.72%	5.26%	7.65%	9.86%	3.63%	3.72%	5.26%	7.65%	9.86%	0.09%	1.54%	2.39%	2.21%
Solvency Ratio	13.9%	16.2%	5.5%	19.3%	22.8%	13.9%	16.2%	5.5%	19.3%	22.8%	2.3%	-10.7%	13.8%	3.5%

Sources: Annual Reports and Eaglestone Securities.

PROFIT AND LOSS ACCOUNT

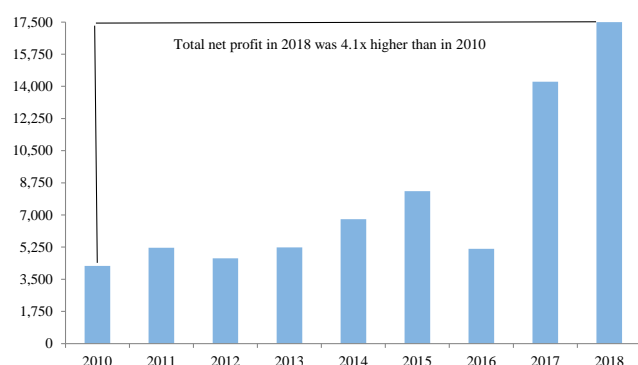
The combined profit and loss account of the six banks showed that total net profit continued to improve last year, reaching MZM 17,492 million (US\$ 285 million). This is an annual increase of 22.7% and represents a return-on-equity (ROE) of 19.3% and a return-on-assets (ROA) of 3.47%. These are also the highest profitability levels recorded since 2011.

The combined net profit of the six banks improved 22.7% YoY in 2018

As shown below, apart from 2012 and 2016, total net profit has consistently increased in recent years, standing in 2018 at 4.1x the level registered in 2010. In particular, the improvement in bottom-line last year was due to a relatively stronger revenue contribution in the period, which continued to outpace the growth in costs, as well as a sharp decline in loan impairments.

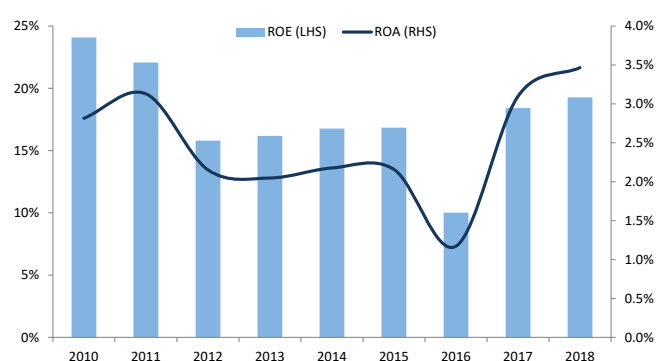
The bottom-line increase last year was due to some improvement in operating income and a sharp fall in loan impairments

NET PROFIT (2010-18) – MILLION MZM



Sources: Annual Reports and Eaglestone Securities.

RETURN ON EQUITY AND RETURN ON ASSETS (2010-18)

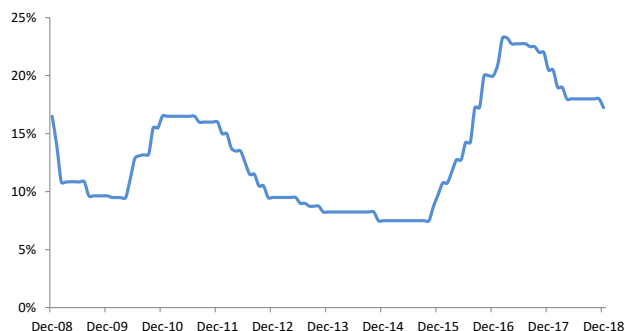


Sources: Annual Reports and Eaglestone Securities.

Total revenues for the banks stood at MZM 54,264 million (US\$ 883 million), which is a more moderate increase of 4.7% YoY when compared with the double-digit growth rates recorded in previous years. We note that net interest income advanced just 4.4%. This is significantly less than the average annual growth of 28.4% during the period 2012-17. This evolution is largely explained by the impacts of lower interest rates from the central bank's monetary policy easing in 2018 and softer demand for credit on the interest income of commercial banks. Some banks also stated that their net interest income line was impacted by higher liquidity costs in foreign currency and a stronger increase in time deposits.

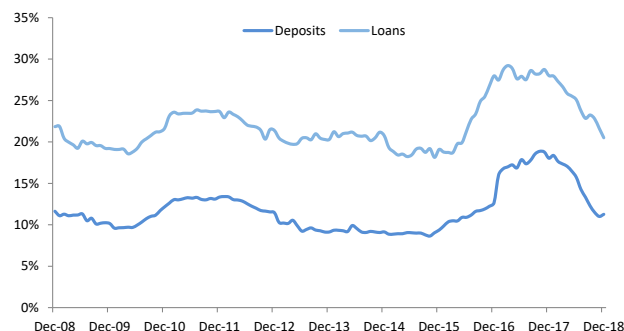
Revenues were impacted by softer growth in net interest income

STANDING LENDING FACILITY – CENTRAL BANK



Sources: Central Bank and Eaglestone Securities.

AVERAGE INTEREST RATES (ONE YEAR)



Sources: Central Bank and Eaglestone Securities.

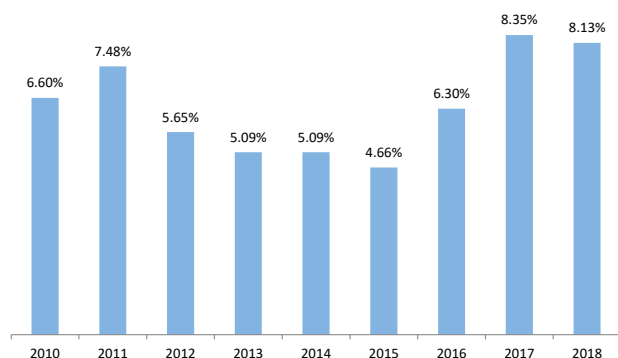
The lower interest rate environment in 2018 contrasts with the one witnessed in recent years whereby the central bank followed a more restrictive monetary policy to combat high inflation levels. This is reflected in some banking sector indicators, including net interest margin, which is the ratio of net interest income over average total assets. According to our calculations, this ratio stood at 8.13% last year, down from a multi-year high of 8.35% in 2017. Despite this, the contribution of net interest income to total banking revenues stood nearly unchanged at 72.3% (vs. 72.5% in 2017).

Net interest income accounted for 72.3% of total banking income

Moreover, non-interest income such as fees saw a strong double-digit recovery of 11.9% YoY after a weak performance in 2017. Some banks stated that this evolution reflects an increase in retail banking activity and higher fees associated to electronic and home-banking platforms. On the other hand, other banking income stood flat from the previous year.

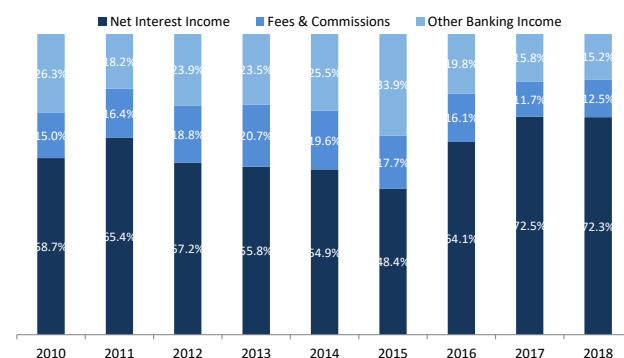
Fees recorded a strong recovery from the previous year while other income was unchanged

NET INTEREST MARGIN (NII/ATA) (2010-18)



Sources: Annual Reports and Eaglestone Securities.

REVENUE BREAKDOWN (2010-18)

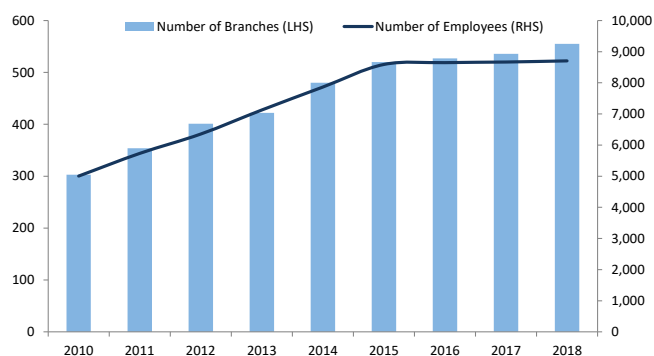


Sources: Annual Reports and Eaglestone Securities.

Meanwhile, total costs reached MZM 26,691 million (US\$ 434 million) in 2018, up 7% YoY. This compares with an average inflation of 3.91% recorded in the country last year. The sector continued to expand its branch network and hire more staff, but, as in 2016-17, this was done at a much slower pace than in previous years. The total number of branches and employees of the six banks rose by 19 to 555 branches (3.5%) and by only 37 to 8,705 people (0.4%). The cost performance also partly reflects some depreciation of the metical against other currencies such as the dollar as some of the expenses are indexed to foreign currency.

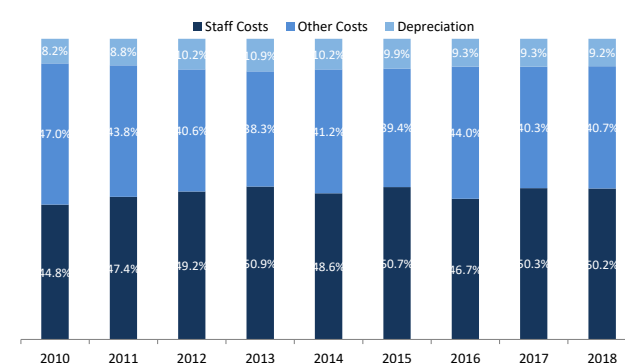
Total costs increased above the inflation rate of 2018, reflecting the continued expansion of the branch network and some impact from the depreciation of the metical

NUMBER OF BRANCHES AND EMPLOYEES (2010-18)



Sources: Annual Reports and Eaglestone Securities.

COST BREAKDOWN (2010-18)

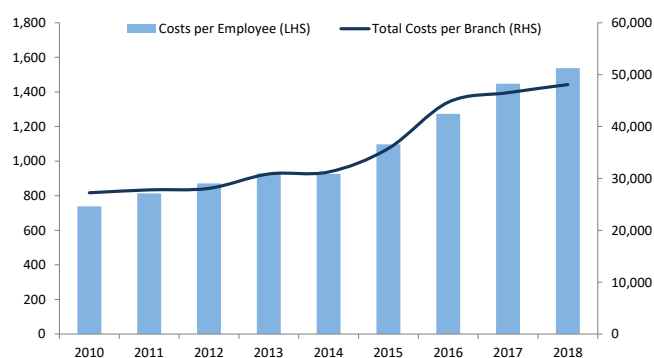


Sources: Annual Reports and Eaglestone Securities.

Overall, total costs per employee and total costs per branch continued to increase (although at a slower pace) last year, namely by 6.3% and 3.4%, respectively. The relatively softer revenue improvement meant that the cost-to-income ratio reached 49.2% in the period, which is slightly above the 48.1% in 2017.

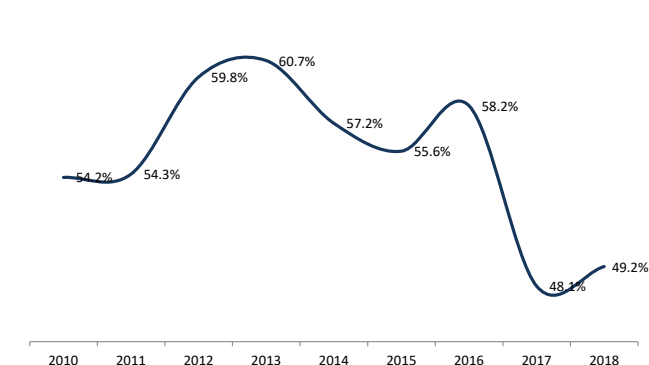
The cost-to-income ratio increased to 49.2%

COSTS PER EMPLOYEE AND PER BRANCH (2010-18)



Sources: Annual Reports and Eaglestone Securities.

COST-TO-INCOME RATIO (2010-18)



Sources: Annual Reports and Eaglestone Securities.

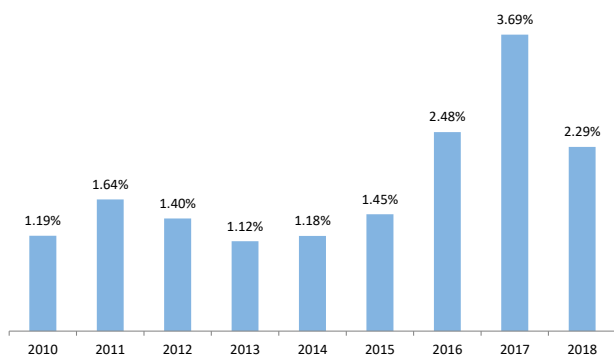
Below the operating income line, net loan loss provisions fell sharply (-40% YoY) after most banks had built large impairments in the previous two years. The strong increase in impairment levels witnessed during this period mainly resulted from (1) the robust expansion of the loan portfolio of the banking sector, (2) a more conservative approach from most banks to face the more challenging macro environment in the country and (3) the impact of higher interest rates on asset quality levels. Overall, cost-of-risk (measure by the ratio of impairments over loans) fell to 229bps (from 369bps in 2017).

Loan impairments fell sharply after abnormally high levels recorded in 2017

Net profit was also aided by the sharp drop in other provisions (-10.8% YoY) while taxes only increased 5.8% from the previous year. This means that the total effective tax rate of these six banks declined further to 24% (from 26.9% in 2017). This figure is much lower than the 44.5% in 2016, but relatively in line with the level recorded during 2010-15.

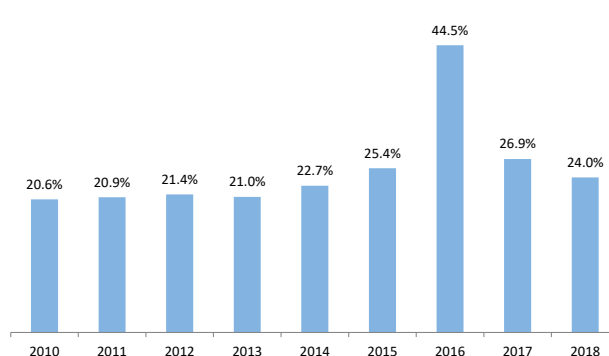
A significant decline in other provisions and a lower effective tax rate aided net profit growth

NET LOAN LOSS PROVISIONS (% OF LOANS) (2010-18)



Sources: Annual Reports and Eaglestone Securities.

TAX RATE (2010-18)



Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS														
	Million MZM					Million US\$					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
P&L ACCOUNT														
Net Interest Income	14,409	16,202	25,953	37,573	39,236	429	353	364	637	638	12.4%	60.2%	44.8%	4.4%
Fees & Commissions	5,137	5,918	6,527	6,080	6,802	153	129	91	103	111	15.2%	10.3%	-6.8%	11.9%
Other Banking Income	6,687	11,327	8,019	8,199	8,225	199	247	112	139	134	69.4%	-29.2%	2.2%	0.3%
Banking Income	26,233	33,447	40,499	51,852	54,264	781	729	568	879	883	27.5%	21.1%	28.0%	4.7%
Staff Costs	7,284	9,425	11,009	12,545	13,387	217	205	154	213	218	29.4%	16.8%	13.9%	6.7%
Other Costs	6,180	7,331	10,362	10,062	10,861	184	160	145	170	177	18.6%	41.3%	-2.9%	7.9%
Depreciation	1,534	1,847	2,179	2,332	2,443	46	40	31	40	40	20.3%	18.0%	7.0%	4.8%
Total Costs	14,998	18,603	23,551	24,938	26,691	446	405	330	423	434	24.0%	26.6%	5.9%	7.0%
Operating Income	11,235	14,844	16,949	26,914	27,573	334	323	238	456	449	32.1%	14.2%	58.8%	2.4%
Net Loan Loss Provisions (LLP)	2,002	2,921	5,781	7,087	4,253	60	64	81	120	69	45.9%	97.9%	22.6%	-40.0%
Other	-476	-796	-1,888	-338	-301	-14	-17	-26	-6	-5	67.3%	137.4%	-82.1%	-10.8%
Pre-Tax Profits	8,757	11,127	9,280	19,489	23,019	261	242	130	330	374	27.1%	-16.6%	110.0%	18.1%
Taxes	1,989	2,828	4,126	5,234	5,527	59	62	58	89	90	42.2%	45.9%	26.8%	5.6%
Net Profit	6,767	8,299	5,153	14,255	17,492	201	181	72	242	285	22.6%	-37.9%	176.6%	22.7%
MAIN RATIOS														
Net Interest Margin (NII/ATA)	5.09%	4.66%	6.30%	8.35%	8.13%	5.09%	4.66%	6.30%	8.35%	8.13%	-0.43%	1.64%	2.05%	-0.22%
Net Interest Income (% of Revenues)	54.9%	48.4%	64.1%	72.5%	72.3%	54.9%	48.4%	64.1%	72.5%	72.3%	-6.5%	15.6%	8.4%	-0.2%
Fees (% of Banking Income)	19.6%	17.7%	16.1%	11.7%	12.5%	19.6%	17.7%	16.1%	11.7%	12.5%	-1.9%	-1.6%	-4.4%	0.8%
Staff Costs (% of Total Costs)	48.6%	50.7%	46.7%	50.3%	50.2%	48.6%	50.7%	46.7%	50.3%	50.2%	2.1%	-3.9%	3.6%	-0.1%
Costs per Employee ('000 MZM/US\$)	926.3	1,097.2	1,273.1	1,447.3	1,537.8	27.6	23.9	17.8	24.5	25.0	18.5%	16.0%	13.7%	6.3%
Total Costs per Branch ('000 MZM/US\$)	31,246	35,775	44,688	46,527	48,091	930	779	626	788	782	14.5%	24.9%	4.1%	3.4%
Cost-to-Income (incl. Depreciation)	57.2%	55.6%	58.2%	48.1%	49.2%	57.2%	55.6%	58.2%	48.1%	49.2%	-1.6%	2.5%	-10.1%	1.1%
Net LLP (% of Net Loans)	1.18%	1.45%	2.48%	3.69%	2.29%	1.18%	1.45%	2.48%	3.69%	2.29%	0.27%	1.02%	1.21%	-1.40%
Tax Rate	22.7%	25.4%	44.5%	26.9%	24.0%	22.7%	25.4%	44.5%	26.9%	24.0%	2.7%	19.0%	-17.6%	-2.8%
ROE	16.8%	16.8%	10.0%	18.4%	19.3%	16.8%	16.8%	10.0%	18.4%	19.3%	0.1%	-6.8%	8.4%	0.9%
ROA	2.18%	2.16%	1.17%	3.10%	3.47%	2.18%	2.16%	1.17%	3.10%	3.47%	-0.02%	-0.99%	1.93%	0.37%

Sources: Annual Reports and Eaglestone Securities.

BANCO COMERCIAL E DE INVESTIMENTOS (BCI)

BCI disclosed a consolidated net profit of MZM 4,047 million (US\$ 65.8 million) in 2018, an increase of 73.4% YoY. Bottom-line benefitted from a healthy operating performance (+15.8% YoY), but also a sharp decline in loan impairments (-54.7% YoY) after an abnormally high level recorded in 2017. Recall that the bank stated that the strong increase in provisions in 2017 was due to the deterioration in credit quality, with a significant number of the loan operations having to be analyzed on an individual basis. This means that cost of risk came down to 186bps from 371bps in 2017. Overall, BCI reported a ROE of 24.3% and ROA of 2.63% in the period.

BCI's net profit improved 73.4% YoY in 2018 after the bank recorded a healthy operating performance and lower loan provisions

On the operating front, revenues (+9% YoY) were boosted by a continued improvement in net interest income (+22.8% YoY) that reflected for the most part the decline in the cost of funding from deposits. BCI stated that this more than offset the impact of lower interest rates on loans that came as a result of a continued decline in the Banco de Moçambique's benchmark interest rate throughout the year. Net interest income was also boosted by higher investments in reverse repo operations with the central bank, which came as an alternative to lower demand for credit in 2018. Commissions saw a recovery of 15% YoY after a positive evolution in fees related to the issue of guarantees, documented credits, card annuities and POS transactions. On the other hand, other banking income fell sharply after BCI recorded higher extraordinary losses related to loan interest rates. Costs advanced at a much slower pace of 2.7% YoY, as BCI continued to implement several cost cutting and efficiency gaining measures, namely the slower integration of new staff. All in all, cost-to-income ratio improved to 49.2% (from 52.2% in 2017).

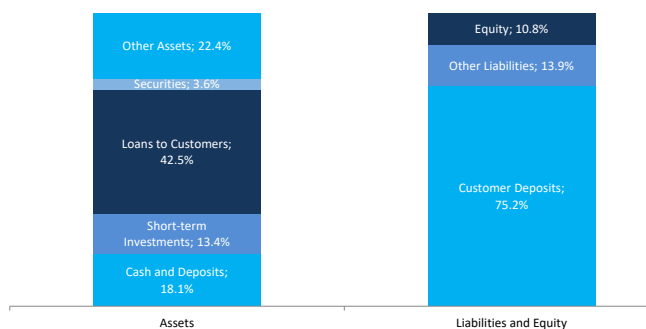
Revenues were boosted by a strong increase in net interest income while costs were relatively subdued as a result of BCI's efforts to control expenses

Regarding the balance sheet, we note the near double-digits decline in net loans again last year. This mainly reflected a sharp drop of 17.8% in foreign currency denominated loans, as credit in meticaís fell 3.8% YoY. On the other hand, deposits continued to advance, although at a much slower pace of 2.4% YoY. This led the loans-to-deposits ratio to 56.5%, down from 64.1% in 2017 (and 80% in 2016). Also worth noting is the improvement in the NPL ratio to 5.66%, with NPL coverage standing at 158.3%. These compare with 8.4% and 50%, respectively, in the previous year. Finally, BCI reported a solvency ratio of 17%, almost unchanged from 2017.

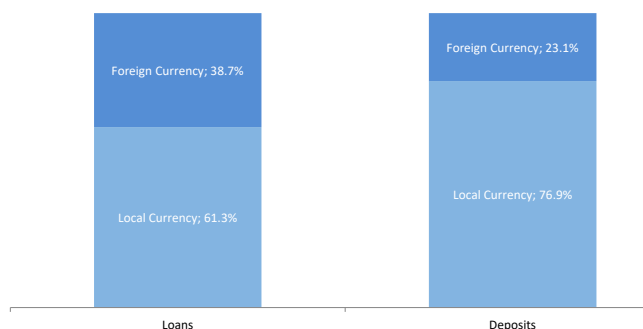
The L/D ratio continued to decline (56.5% from 64.1% in 2017), as foreign currency denominated loans fell sharply in the period

B. COM. E DE INVESTIM. (BCI)	MZM Million					US\$ Million					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCESHEET														
Net Assets	98,907	125,264	143,631	154,556	153,808	2,944	2,729	2,013	2,619	2,502	26.6%	14.7%	7.6%	-0.5%
Customer Loans (net)	58,415	69,382	82,898	72,411	65,375	1,739	1,512	1,162	1,227	1,064	18.8%	19.5%	-12.7%	-9.7%
Local Currency Loans	37,033	45,066	46,577	41,638	40,069	1,102	982	653	705	652	21.7%	3.4%	-10.6%	-3.8%
Loan Loss Provisions	1,416	1,334	2,010	3,173	6,433	42	29	28	54	105	-5.8%	50.7%	57.8%	102.8%
Non-Performing Loans	1,153	856	3,040	6,349	4,064	34	19	43	108	66	-25.8%	255.2%	108.9%	-36.0%
Customer Deposits	73,005	91,900	103,115	113,002	115,737	2,173	2,002	1,445	1,915	1,883	25.9%	12.2%	9.6%	2.4%
Local Currency Deposits	56,270	69,144	70,332	86,052	89,047	1,675	1,506	986	1,458	1,449	22.9%	1.7%	22.4%	3.5%
Equity	7,427	10,300	11,418	15,419	16,621	221	224	160	261	270	38.7%	10.9%	35.0%	7.8%
P&L ACCOUNT														
Net Interest Income	3,648	4,067	6,121	8,006	9,832	108.6	88.6	85.8	135.7	159.9	11.5%	50.5%	30.8%	22.8%
Fees & Commissions	1,449	1,737	2,094	1,607	1,849	43.1	37.9	29.4	27.2	30.1	19.9%	20.5%	-23.3%	15.1%
Other Banking Income	1,689	2,661	1,748	3,350	2,444	50.3	58.0	24.5	56.8	39.8	57.5%	-34.3%	91.6%	-27.0%
Banking Income	6,786	8,465	9,964	12,963	14,125	202.0	184.4	139.6	219.6	229.8	24.8%	17.7%	30.1%	9.0%
Staff Costs	1,984	2,658	3,213	3,590	3,782	59.0	57.9	45.0	60.8	61.5	34.0%	20.9%	11.7%	5.4%
Other Costs	1,798	2,026	2,292	2,435	2,484	53.5	44.1	32.1	41.3	40.4	12.7%	13.1%	6.2%	2.0%
Depreciation	439	552	665	742	682	13.1	12.0	9.3	12.6	11.1	25.7%	20.4%	11.6%	-8.2%
Total Costs	4,222	5,237	6,170	6,767	6,949	125.6	114.1	86.5	114.7	113.0	24.1%	17.8%	9.7%	2.7%
Operating Income	2,564	3,228	3,794	6,196	7,176	76.3	70.3	53.2	105.0	116.7	25.9%	17.5%	63.3%	15.8%
Net Loan Loss Provisions (LLP)	762	729	1,036	2,685	1,218	22.7	15.9	14.5	45.5	19.8	-4.3%	42.1%	159.1%	-54.7%
Other	-49	-117	-835	-309	-303	-1.5	-2.5	-11.7	-5.2	-4.9	138.5%	614.3%	-63.1%	-1.7%
Pre-Tax Profits	1,753	2,382	1,922	3,202	5,655	52.2	51.9	26.9	54.3	92.0	35.9%	-19.3%	66.6%	76.6%
Taxes	443	684	487	868	1,608	13.2	14.9	6.8	14.7	26.2	54.5%	-28.8%	78.4%	85.2%
Net Profit	1,310	1,698	1,435	2,334	4,047	39.0	37.0	20.1	39.5	65.8	29.6%	-15.5%	62.6%	73.4%
RATIOS														
Net Interest Margin (NII/ATA)	4.02%	3.63%	4.55%	5.37%	6.38%	4.02%	3.63%	4.55%	5.37%	6.38%	-0.39%	0.92%	0.82%	1.01%
Net Interest Income (% of Revenue)	53.8%	48.0%	61.4%	61.8%	69.6%	53.8%	48.0%	61.4%	61.8%	69.6%	-5.7%	13.4%	0.3%	7.8%
Fees (% of Banking Income)	21.3%	20.5%	21.0%	12.4%	13.1%	21.3%	20.5%	21.0%	12.4%	13.1%	-0.8%	0.5%	-8.6%	0.7%
Staff Costs (% of Total Costs)	47.0%	50.8%	52.1%	53.1%	54.4%	47.0%	50.8%	52.1%	53.1%	54.4%	3.8%	1.3%	1.0%	1.4%
Costs per Employee ('000)	808	883	1,076	1,227	1,309	24.0	19.2	15.1	20.8	21.3	9.4%	21.8%	14.1%	6.6%
Cost-to-Income (incl. Depreciation)	62.2%	61.9%	61.9%	52.2%	49.2%	62.2%	61.9%	61.9%	52.2%	49.2%	-0.3%	0.1%	-9.7%	-3.0%
Net LLP (% of Loans)	1.30%	1.05%	1.25%	3.71%	1.86%	1.30%	1.05%	1.25%	3.71%	1.86%	-0.25%	0.20%	2.46%	-1.85%
Tax Rate	25.2%	28.7%	25.3%	27.1%	28.4%	25.2%	28.7%	25.3%	27.1%	28.4%	3.5%	-3.4%	1.8%	1.3%
ROE	17.6%	16.5%	12.6%	15.1%	24.3%	17.6%	16.5%	12.6%	15.1%	24.3%	-1.2%	-3.9%	2.6%	9.2%
ROA	1.32%	1.36%	1.00%	1.51%	2.63%	1.32%	1.36%	1.00%	1.51%	2.63%	0.03%	-0.36%	0.51%	1.12%
Loans/Deposits	80.0%	75.5%	80.4%	64.1%	56.5%	80.0%	75.5%	80.4%	64.1%	56.5%	-4.5%	4.9%	-16.3%	-7.6%
Loans/Assets	59.1%	55.4%	57.7%	46.9%	42.5%	59.1%	55.4%	57.7%	46.9%	42.5%	-3.7%	2.3%	-10.9%	-4.3%
Deposits/Liabilities	79.8%	79.9%	78.0%	81.2%	84.4%	79.8%	79.9%	78.0%	81.2%	84.4%	0.1%	-1.9%	3.2%	3.1%
Loans in Local Currency (% Total)	63.4%	65.0%	56.2%	57.5%	61.3%	63.4%	65.0%	56.2%	57.5%	61.3%	1.6%	-8.8%	1.3%	3.8%
Deposits in Local Currency (% Total)	77.1%	75.2%	68.2%	76.2%	76.9%	77.1%	75.2%	68.2%	76.2%	76.9%	-1.8%	-7.0%	7.9%	0.8%
Loans per Branch ('000)	347,709	363,257	429,523	371,338	326,874	10,348	7,914	6,020	6,292	5,318	4.5%	18.2%	-13.5%	-12.0%
Deposits per Branch ('000)	434,556	481,154	534,275	579,496	578,686	12,933	10,483	7,488	9,819	9,414	10.7%	11.0%	8.5%	-0.1%
Solvency Ratio	8.6%	12.7%	14.0%	17.1%	17.0%	8.6%	12.7%	14.0%	17.1%	17.0%	4.1%	1.3%	3.1%	-0.1%
NPL Ratio	1.93%	1.21%	3.58%	8.40%	5.66%	1.93%	1.21%	3.58%	8.40%	5.66%	-0.72%	2.37%	4.82%	-2.74%
NPL Coverage	122.7%	155.9%	66.1%	50.0%	158.3%	122.7%	155.9%	66.1%	50.0%	158.3%	33.2%	-89.8%	-16.2%	108.3%
BS Provisions/Loans (gross)	2.37%	1.89%	2.37%	4.20%	8.96%	2.37%	1.89%	2.37%	4.20%	8.96%	-0.48%	0.48%	1.83%	4.76%

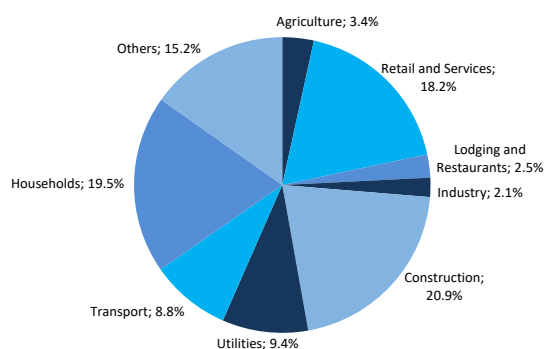
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

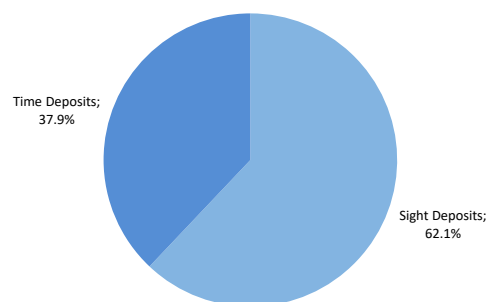
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2018

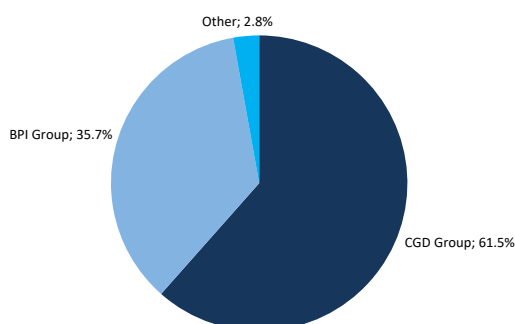
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

Sources: Annual Reports and Eaglestone Securities.

MILLENNIUM BIM (BIM)

Millennium bim (BIM) reported a consolidated net profit of MZM 6,809 million (US\$ 110.8 million) in 2018, up 10.5% YoY. The bank's net profit evolution mainly reflected (1) a 5.9% YoY improvement in net interest income, (2) a contribution from gains in the sale of real estate assets (recorded in the other banking income line) and (3) a one-off impact of about MZM 600 million from the pension fund. The bottom-line performance also reflected (1) a single-digit increase in costs (+7.5% YoY), which came in line with the bank's current branch expansion strategy, (2) an exchange rate impact and (3) higher loan provisions (+21.6% YoY). Overall, ROE stood at 20.3% and ROA at 4.51% (vs. 21.5% and 4.49%, respectively, in 2017).

BIM's net profit increased 10.5% YoY as a result of the favorable contributions of net interest income, gains in the sale of real estate assets and a one-off impact from the pension fund

The bank's revenue and cost performance meant that its cost-to-income ratio remained almost unchanged (37.6% vs. 37.9%), but still best in class in the sector. Below the operating line, net loan loss provisions continued to increase as a result of the deterioration in asset quality (NPL ratio of 5.33% vs. 5.05% in 2017), with the largest amount of impairments reportedly going to corporate clients. Cost of risk stood at 486bps, which is significantly higher than 326bps in the previous year (and 210bps in 2016).

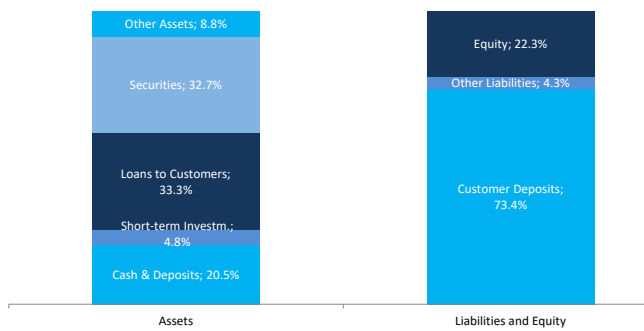
The bank continued to record the lowest cost-to-income ratio in the sector

BIM said that 2018 saw a sharp decline in interest rates on deposits in the banking sector. This came in line with the drop in the central bank's benchmark interest rate throughout the year, with the MIMO rate falling to 14.25% by year-end (from 19.5% at end-2017). Still, BIM saw deposits advancing 11.1% YoY, which contrasted with the evolution of net loans. These were down once again in the period (-18.3% YoY) as a result of the slowdown in economic activity in the year and a more cautious stance in terms of the bank's lending policy. This led to a sharp fall in the loans-to-deposits ratio to 45.3% (from 61.6% in the previous year). It is worth noting that the proportion of loans and deposits in local currency to their respective totals continued to increase, reaching 82.5% and 77.4%, respectively. Finally, the bank's solvency ratio stood at 39%, which is significantly higher than the 17.1% in the previous year and the 10% minimum regulatory requirement.

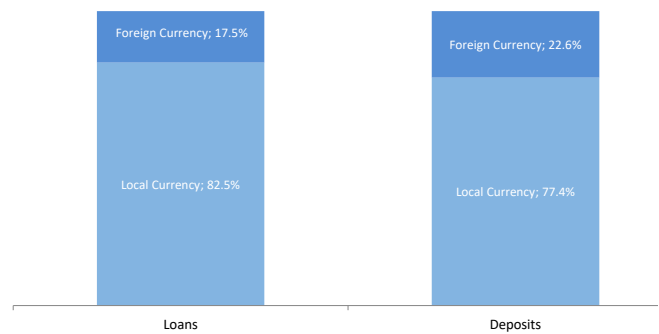
The slowdown in the economic activity and a more cautious stance in terms of lending policy meant that loans continued to decline during 2018

MILLENNIUM BIM (BIM)	MZM Million					US\$ Million					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCESHEET														
Net Assets	104,217	120,428	138,459	137,331	150,808	3,102	2,624	1,941	2,327	2,453	15.6%	15.0%	-0.8%	9.8%
Customer Loans (net)	56,795	66,331	78,283	61,413	50,165	1,690	1,445	1,097	1,041	816	16.8%	18.0%	-21.6%	-18.3%
Local Currency Loans	44,849	52,081	58,615	47,000	41,375	1,335	1,135	822	796	673	16.1%	12.5%	-19.8%	-12.0%
Loan Loss Provisions	3,137	4,177	6,147	6,571	6,384	93	91	86	111	104	33.2%	47.1%	6.9%	-2.8%
Non-Performing Loans	1,300	2,948	2,993	3,432	3,013	39	64	42	58	49	126.8%	1.5%	14.7%	-12.2%
Customer Deposits	77,144	89,205	97,819	99,622	110,727	2,296	1,943	1,371	1,688	1,801	15.6%	9.7%	1.8%	11.1%
Local Currency Deposits	60,992	66,913	69,080	75,325	85,687	1,815	1,458	968	1,276	1,394	9.7%	3.2%	9.0%	13.8%
Sight Deposits	45,400	50,659	54,075	51,171	55,964	1,351	1,104	758	867	910	11.6%	6.7%	-5.4%	9.4%
Equity	18,026	20,471	23,506	28,661	33,566	536	446	329	486	546	13.6%	14.8%	21.9%	17.1%
P&L ACCOUNT														
Net Interest Income	5,846	6,157	9,711	12,417	13,148	174.0	134.2	136.1	210.4	213.9	5.3%	57.7%	27.9%	5.9%
Fees & Commissions	1,882	1,973	2,129	2,180	2,144	56.0	43.0	29.8	36.9	34.9	4.8%	7.9%	2.4%	-1.7%
Other Banking Income	1,863	2,890	2,707	1,480	2,135	55.4	63.0	37.9	25.1	34.7	55.1%	-6.3%	-45.3%	44.3%
Banking Income	9,591	11,021	14,547	16,077	17,427	285.4	240.1	203.9	272.4	283.5	14.9%	32.0%	10.5%	8.4%
Staff Costs	1,935	2,096	2,496	2,656	2,822	57.6	45.7	35.0	45.0	45.9	8.3%	19.1%	6.4%	6.3%
Other Costs	1,728	2,043	2,548	2,874	3,117	51.4	44.5	35.7	48.7	50.7	18.2%	24.7%	12.8%	8.5%
Depreciation	450	501	533	560	605	13.4	10.9	7.5	9.5	9.8	11.5%	6.3%	5.1%	8.1%
Total Costs	4,112	4,640	5,576	6,089	6,545	122.4	101.1	78.2	103.2	106.5	12.8%	20.2%	9.2%	7.5%
Operating Income	5,479	6,381	8,971	9,988	10,882	163.1	139.0	125.7	169.2	177.0	16.5%	40.6%	11.3%	9.0%
Net Loan Loss Provisions (LLP)	501	1,093	1,644	2,004	2,437	14.9	23.8	23.0	33.9	39.6	118.3%	50.5%	21.8%	21.6%
Other	-407	-654	-349	80	-48	-12.1	-14.3	-4.9	1.4	-0.8	60.9%	-46.7%	n.m.	n.m.
Pre-Tax Profits	4,571	4,634	6,978	8,065	8,397	136.1	100.9	97.8	136.6	136.6	1.4%	50.6%	15.6%	4.1%
Taxes	848	896	1,963	1,904	1,588	25.2	19.5	27.5	32.3	25.8	5.7%	119.0%	-3.0%	-16.6%
Net Profit	3,724	3,737	5,014	6,161	6,809	110.8	81.4	70.3	104.4	110.8	0.4%	34.2%	22.9%	10.5%
RATIOS														
Net Interest Margin (NII/ATA)	6.09%	5.48%	7.50%	9.00%	9.13%	6.09%	5.48%	7.50%	9.00%	9.13%	-0.60%	2.02%	1.50%	0.12%
Net Interest Income (% of Revenue)	61.0%	55.9%	66.8%	77.2%	75.4%	61.0%	55.9%	66.8%	77.2%	75.4%	-5.1%	10.9%	10.5%	-1.8%
Fees (% of Banking Income)	19.6%	17.9%	14.6%	13.6%	12.3%	19.6%	17.9%	14.6%	13.6%	12.3%	-1.7%	-3.3%	-1.1%	-1.3%
Staff Costs (% of Total Costs)	47.1%	45.2%	44.8%	43.6%	43.1%	47.1%	45.2%	44.8%	43.6%	43.1%	-1.9%	-0.4%	-1.1%	-0.5%
Costs per Employee ('000)	817	892	1,039	1,073	1,147	24.3	19.4	14.6	18.2	18.7	9.1%	16.5%	3.2%	6.9%
Cost-to-Income (incl. Depreciation)	42.9%	42.1%	38.3%	37.9%	37.6%	42.9%	42.1%	38.3%	37.9%	37.6%	-0.8%	-3.8%	-0.5%	-0.3%
Net LLP (% of Loans)	0.88%	1.65%	2.10%	3.26%	4.86%	0.88%	1.65%	2.10%	3.26%	4.86%	0.77%	0.45%	1.16%	1.60%
Tax Rate	18.5%	19.3%	28.1%	23.6%	18.9%	18.5%	19.3%	28.1%	23.6%	18.9%	0.8%	8.8%	-4.5%	-4.7%
ROE	20.7%	18.3%	21.3%	21.5%	20.3%	20.7%	18.3%	21.3%	21.5%	20.3%	-2.4%	3.1%	0.2%	-1.2%
ROA	3.57%	3.10%	3.62%	4.49%	4.51%	3.57%	3.10%	3.62%	4.49%	4.51%	-0.47%	0.52%	0.86%	0.03%
Loans/Deposits	73.6%	74.4%	80.0%	61.6%	45.3%	73.6%	74.4%	80.0%	61.6%	45.3%	0.7%	5.7%	-18.4%	-16.3%
Loans/Assets	54.5%	55.1%	56.5%	44.7%	33.3%	54.5%	55.1%	56.5%	44.7%	33.3%	0.6%	1.5%	-11.8%	-11.5%
Deposits/Liabilities	89.5%	89.2%	85.1%	91.7%	94.4%	89.5%	89.2%	85.1%	91.7%	94.4%	-0.3%	-4.1%	6.6%	2.8%
Loans in Local Currency (% Total)	79.0%	78.5%	74.9%	76.5%	82.5%	79.0%	78.5%	76.5%	82.5%	82.5%	-0.4%	-3.6%	1.7%	5.9%
Deposits in Local Currency (% Total)	79.1%	75.0%	70.6%	75.6%	77.4%	79.1%	75.0%	70.6%	75.6%	77.4%	-4.1%	-4.4%	5.0%	1.8%
Loans per Branch ('000)	342,137	392,491	444,790	330,178	259,923	10,183	8,551	6,234	5,594	4,228	14.7%	13.3%	-25.8%	-21.3%
Deposits per Branch ('000)	464,721	527,838	555,789	535,600	573,716	13,831	11,500	7,790	9,075	9,333	13.6%	5.3%	-3.6%	7.1%
Solvency Ratio	19.0%	19.8%	18.8%	17.1%	39.0%	19.0%	19.8%	18.8%	17.1%	39.0%	0.8%	-1.0%	-1.7%	21.9%
NPL Ratio	2.17%	4.18%	3.54%	5.05%	5.33%	2.17%	4.18%	3.54%	5.05%	5.33%	2.01%	-0.64%	1.50%	0.28%
NPL Coverage	241.3%	141.7%	205.4%	191.5%	211.9%	241.3%	141.7%	205.4%	191.5%	211.9%	-99.6%	63.7%	-13.9%	20.4%
BS Provisions/Loans (gross)	5.23%	5.92%	7.28%	9.67%	11.29%	5.23%	5.92%	7.28%	9.67%	11.29%	0.69%	1.36%	2.39%	1.62%

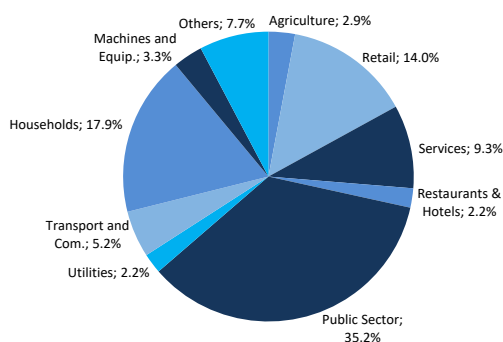
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

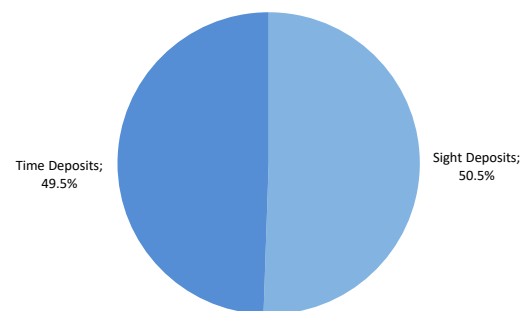
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LOANS AND DEPOSITS BY CURRENCY - 2018

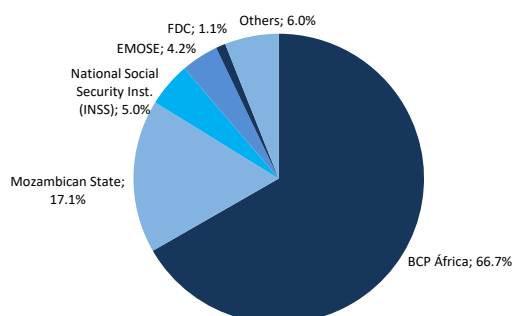
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LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

Sources: Annual Reports and Eaglestone Securities.

STANDARD BANK MOZAMBIQUE

Standard Bank Mozambique disclosed a net profit of MZM 5,587 million (US\$ 90.9 million) in 2018 that was roughly unchanged from the previous year. This set of results mainly reflected a very modest improvement in revenues (+2.2% YoY) and a 6.8% increase in costs, meaning that operating income declined 1% YoY. The bottom-line benefited from lower loan impairments in the period, which continued to decline from the abnormally high level recorded 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. Cost of risk stood at 381bps then, falling to 134bps in 2017 and 75bps last year. Overall, ROE reached 26.5% and ROA stood at 5.59%.

The bank's revenue performance was clearly impacted by a relatively weaker contribution from net interest income (-1.2% YoY). This was due to (1) an increasingly accommodative monetary policy followed by the central bank (interest rates fell by 525bps in 2018), (2) higher liquidity costs in foreign currency and (3) a 21.2% YoY increase in time deposits in local currency, all of which hurt the bank's margin. This was nevertheless offset by a strong evolution in other revenues, in particular fee income that rose 22.8% YoY. The bank stated that this was the result of a higher number of operations at its retail network, namely through the greater utilization of electronic banking platforms and also the increase in the bank's client base. All in all, the bank saw a slight deterioration in its cost-to-income ratio to 43.3% (from 41.5%).

In terms of the balance sheet, it is worth noting the marked recovery in net loans that followed a sharp fall in 2017. The bank stated that this was attributable to the strong increase in lending to SMEs and, more importantly, to large corporates, namely operating in the manufacturing sector. We also note that the increase in the loan portfolio was related to loans in local currency (+54.2% YoY), as those in foreign currency declined in the period. With a 12.5% YoY increase in deposits, the loans-to-deposits ratio stood at 38.3% (from 33.5% in 2017). Meanwhile, the NPL ratio declined to 2.60%, with coverage of 242.2% (vs. 4.78% and 149.1%, respectively, in 2017) after the bank was able to restructure or recover part of its loans that were overdue. Finally, the solvency ratio stood at 19.4%, which compares with 20.4% in the previous year.

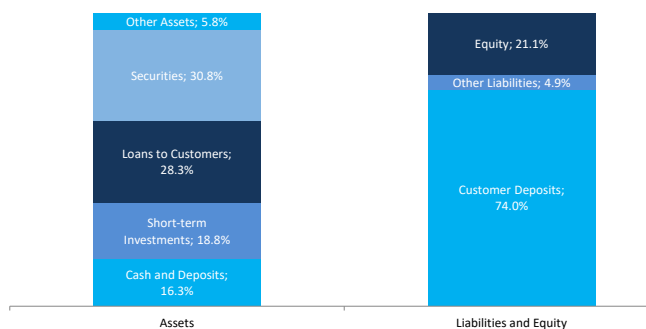
Net profit in 2018 stood relatively unchanged from the previous year

Revenues were clearly impacted by a relatively weaker contribution from net interest income, although this impact was offset by higher other income, namely fees

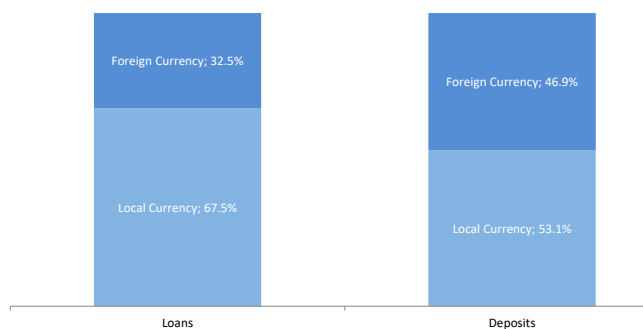
The bank's loan portfolio saw a strong recovery, with a strong increase in loans to SMEs and large corporates

STANDARD BANK MOÇAMBIQUE						MZM Million					US\$ Million					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCE SHEET																			
Net Assets	49,319	66,948	79,663	87,428	99,928	1,468	1,459	1,117	1,481	1,626	35.7%	19.0%	9.7%	14.3%					
Customer Loans (net)	22,911	26,873	29,488	22,013	28,296	682	585	413	373	460	17.3%	9.7%	-25.3%	28.5%					
Local Currency Loans	15,268	17,433	18,294	12,384	19,092	454	380	256	210	311	14.2%	4.9%	-32.3%	54.2%					
Loan Loss Provisions	421	562	1,525	1,689	1,905	13	12	21	29	31	33.6%	171.2%	10.8%	12.8%					
Non-Performing Loans	474	432	2,460	1,133	787	14	9	34	19	13	-8.9%	469.9%	-53.9%	-30.6%					
Customer Deposits	38,424	49,871	61,597	65,729	73,940	1,144	1,087	863	1,114	1,203	29.8%	23.5%	6.7%	12.5%					
Local Currency Deposits	19,139	22,466	27,919	36,807	39,274	570	489	391	624	639	17.4%	24.3%	31.8%	6.7%					
Sight Deposits	34,999	46,061	54,692	57,185	64,406	1,042	1,004	767	969	1,048	31.6%	18.7%	4.6%	12.6%					
Equity	7,959	10,266	12,578	17,493	21,114	237	224	176	296	343	29.0%	22.5%	39.1%	20.7%					
P&L ACCOUNT																			
Net Interest Income	2,572	2,881	5,275	9,359	9,249	76.5	62.8	73.9	158.6	150.5	12.0%	83.1%	77.4%	-1.2%					
Fees & Commissions	883	1,070	1,216	1,256	1,542	26.3	23.3	17.0	21.3	25.1	21.1%	13.7%	3.3%	22.8%					
Other Banking Income	1,893	3,348	3,223	2,481	2,596	56.3	73.0	45.2	42.0	42.2	76.9%	-3.8%	-23.0%	4.6%					
Banking Income	5,348	7,299	9,714	13,096	13,387	159.2	159.0	136.1	221.9	217.8	36.5%	33.1%	34.8%	2.2%					
Staff Costs	1,610	1,997	2,453	3,166	3,391	47.9	43.5	34.4	53.6	55.2	24.0%	22.9%	29.1%	7.1%					
Other Costs	1,179	1,229	1,578	1,920	1,972	35.1	26.8	22.1	32.5	32.1	4.3%	28.3%	21.7%	2.7%					
Depreciation	130	188	279	343	436	3.9	4.1	3.9	5.8	7.1	44.2%	48.5%	23.2%	27.1%					
Total Costs	2,919	3,413	4,309	5,430	5,799	86.9	74.4	60.4	92.0	94.3	16.9%	26.2%	26.0%	6.8%					
Operating Income	2,429	3,885	5,405	7,666	7,588	72.3	84.6	75.8	129.9	123.4	60.0%	39.1%	41.8%	-1.0%					
Net Loan Loss Provisions (LLP)	193	325	1,122	295	213	5.7	7.1	15.7	5.0	3.5	68.4%	245.4%	-73.7%	-27.6%					
Pre-Tax Profits	2,236	3,560	4,283	7,371	7,374	66.5	77.6	60.0	124.9	120.0	59.2%	20.3%	72.1%	0.0%					
Taxes	658	1,203	1,502	1,776	1,788	19.6	26.2	21.0	30.1	29.1	82.7%	24.9%	18.3%	0.6%					
Net Profit	1,578	2,358	2,781	5,595	5,587	47.0	51.4	39.0	94.8	90.9	49.4%	18.0%	101.2%	-0.1%					
RATIOS																			
Net Interest Margin (NII/ATA)	5.51%	4.96%	7.20%	11.20%	9.87%	5.51%	4.96%	7.20%	11.20%	9.87%	-0.55%	2.24%	4.01%	-1.33%					
Net Interest Income (% of Revenue)	48.1%	39.5%	54.3%	71.5%	69.1%	48.1%	39.5%	54.3%	71.5%	69.1%	-8.6%	14.8%	17.2%	-2.4%					
Fees (% of Banking Income)	16.5%	14.7%	12.5%	9.6%	11.5%	16.5%	14.7%	12.5%	9.6%	11.5%	-1.9%	-2.1%	-2.9%	1.9%					
Staff Costs (% of Total Costs)	55.2%	58.5%	56.9%	58.3%	58.5%	55.2%	58.5%	56.9%	58.3%	58.5%	3.3%	-1.6%	1.4%	0.2%					
Costs per Employee ('000)	1,490	1,732	2,067	2,688	2,847	44.3	37.7	29.0	45.5	46.3	16.3%	19.3%	30.1%	5.9%					
Cost-to-Income (incl. Depreciation)	54.6%	46.8%	44.4%	41.5%	43.3%	54.6%	46.8%	44.4%	41.5%	43.3%	-7.8%	-2.4%	-2.9%	1.9%					
Net LLP (% of Loans)	0.84%	1.21%	3.81%	1.34%	0.75%	0.84%	1.21%	3.81%	1.34%	0.75%	0.37%	2.60%	-2.47%	-0.58%					
Tax Rate	29.4%	33.8%	35.1%	24.1%	24.2%	29.4%	33.8%	35.1%	24.1%	24.2%	4.3%	1.3%	-11.0%	0.1%					
ROE	19.8%	23.0%	22.1%	32.0%	26.5%	19.8%	23.0%	22.1%	32.0%	26.5%	3.1%	-0.9%	9.9%	-5.5%					
ROA	3.20%	3.52%	3.49%	6.40%	5.59%	3.20%	3.52%	3.49%	6.40%	5.59%	0.32%	-0.03%	2.91%	-0.81%					
Loans/Deposits	59.6%	53.9%	47.9%	33.5%	38.3%	59.6%	53.9%	47.9%	33.5%	38.3%	-5.7%	-6.0%	-14.4%	4.8%					
Loans/Assets	46.5%	40.1%	37.0%	25.2%	28.3%	46.5%	40.1%	37.0%	25.2%	28.3%	-6.3%	-3.1%	-11.8%	3.1%					
Deposits/Liabilities	92.9%	88.0%	91.8%	94.0%	93.8%	92.9%	88.0%	91.8%	94.0%	93.8%	-4.9%	3.8%	2.2%	-0.2%					
Loans in Local Currency (% Total)	66.6%	64.9%	62.0%	56.3%	67.5%	66.6%	64.9%	62.0%	56.3%	67.5%	-1.8%	-2.8%	-5.8%	11.2%					
Deposits in Local Currency (% Total)	49.8%	45.0%	45.3%	56.0%	53.1%	49.8%	45.0%	45.3%	56.0%	53.1%	-4.8%	0.3%	10.7%	-2.9%					
Loans per Branch ('000)	558,809	671,831	737,206	550,330	707,395	16,631	14,637	10,332	9,324	11,508	20.2%	9.7%	-25.3%	28.5%					
Deposits per Branch ('000)	937,161	1,246,781	1,539,928	1,643,227	1,848,488	27,892	27,163	21,583	27,842	30,071	33.0%	23.5%	6.7%	12.5%					
Solvency Ratio	9.7%	15.3%	17.0%	20.4%	19.4%	9.7%	15.3%	17.0%	20.4%	19.4%	5.6%	1.6%	3.5%	-1.0%					
NPL Ratio	2.03%	1.57%	7.93%	4.78%	2.60%	2.03%	1.57%	7.93%	4.78%	2.60%	-0.46%	6.36%	-3.15%	-2.18%					
NPL Coverage	88.8%	130.2%	62.0%	149.1%	242.2%	88.8%	130.2%	62.0%	149.1%	242.2%	41.4%	-68.2%	87.1%	93.1%					
BS Provisions/Loans (gross)	1.80%	2.05%	4.92%	7.13%	6.31%	1.80%	2.05%	4.92%	7.13%	6.31%	0.25%	2.87%	2.21%	-0.82%					

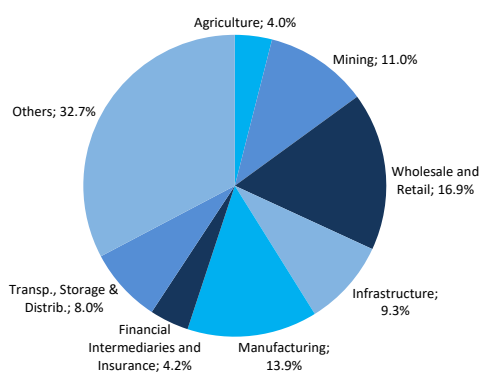
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

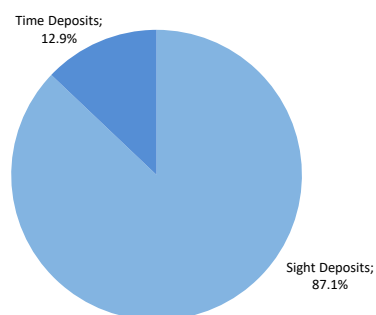
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2018

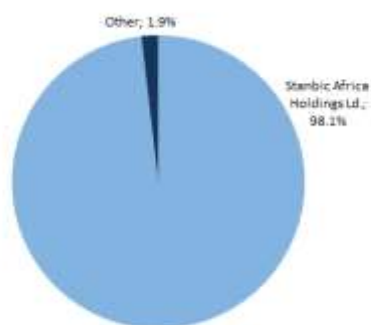
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

Sources: Annual Reports and Eaglestone Securities.

BARCLAYS BANK MOZAMBIQUE

Barclays Bank Mozambique's net profit increased 25% YoY to MZM 1,380 million (US\$ 22.5 million) in 2018. This improvement in the bottom-line reflected a reversal in loan impairments, as the bank's operating income actually declined (20% YoY) in the period. Overall, this means that ROE stood at 20.5% and ROA at 3.66%. These figures are roughly in line with the ones recorded in the previous year.

On the operating front, we highlight a 16% YoY drop in net interest income, which the bank attributed to the strong squeeze in margins on the asset side of its balance sheet (reflecting the lower interest rate environment in 2018). This impact more than offset a healthy improvement in volumes (net loans advanced 16% and deposits rose 28%). As a result, total banking income fell by more than 6%, despite a strong recovery in fees and other banking income. Net interest income accounted for more than 75% of total revenues (down from nearly 85% in the previous year).

Meanwhile, total expenses were up by only 2% YoY (which is below inflation), with staff costs representing 47% of total costs. Still, this relatively modest increase in costs was insufficient to prevent a deterioration in efficiency levels, as cost-to-income stood at 67.7% (up from 62% in 2017). It is also worth noting that the bank has the second highest cost-to-income ratio among the largest players, standing only ahead of Moza Banco (118.4%).

The reversal in loan impairments in the period was related to an improvement in credit quality levels and the impact that a drop in interest rates had on the affordability of retail clients. Recall that the bank had allocated a significant amount of loan provisions to the loan book of retail clients during 2016-17, as a sharp increase in interest rates had a profound impact on their debt-service ratios. Moreover, after surging in 2016, NPLs continued to decline last year, allowing the NPL ratio to improve further to 7.89%, with NPL coverage standing at 65.4%. These ratios compare with 9.50% and 76.4%, respectively, in 2017. Finally, the solvency ratio remained at a comfortable 23.1% (vs. 24.8% in the previous year).

The bank's net profit rose by 25% YoY following a reversal in loan provisions in the period

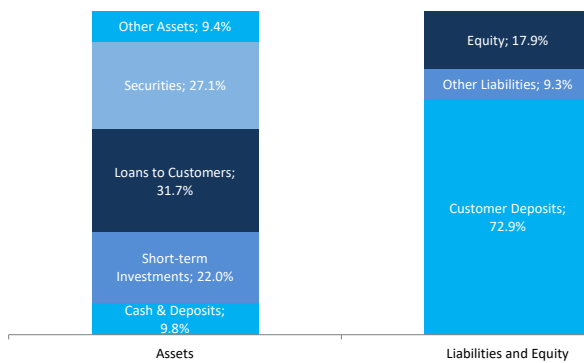
Revenues were clearly impacted by a drop in net interest income, as tighter margins more than offset an improvement in volume growth

The increase in costs was below inflation, but it was insufficient to prevent a deterioration in efficiency levels

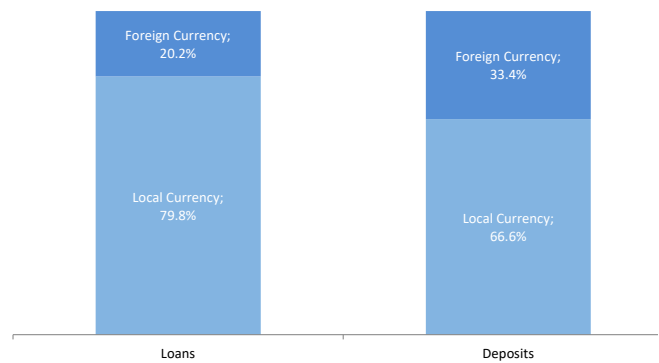
The lower interest rate environment in 2018 had a favorable impact on the affordability ratios of retail clients and allowed for a decline in the NPL ratio

BARCLAYS BANK MOZAMBIQUE	MZM Million					US\$ Million					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCE SHEET														
Net Assets	22,751	23,501	27,347	29,912	37,710	677	512	383	507	613	3.3%	16.4%	9.4%	26.1%
Customer Loans (net)	9,878	11,413	14,256	10,288	11,941	294	249	200	174	194	15.5%	24.9%	-27.8%	16.1%
Local Currency Loans	8,679	9,839	11,254	8,565	9,529	258	214	158	145	155	13.4%	14.4%	-23.9%	11.3%
Loan Loss Provisions	783	744	852	805	650	23	16	12	14	11	-5.0%	14.5%	-5.5%	-19.3%
Non-Performing Loans	1,485	1,148	2,692	1,054	994	44	25	38	18	16	-22.7%	134.4%	-60.9%	-5.7%
Customer Deposits	14,041	16,953	20,349	21,400	27,478	418	369	285	363	447	20.7%	20.0%	5.2%	28.4%
Local Currency Deposits	9,975	11,923	12,772	14,298	18,294	297	260	179	242	298	19.5%	7.1%	12.0%	28.0%
Sight Deposits	6,612	8,582	9,363	10,351	11,746	197	187	131	175	191	29.8%	9.1%	10.6%	13.5%
Equity	3,638	3,793	4,305	5,410	6,742	108	83	60	92	110	4.2%	13.5%	25.6%	24.6%
P&L ACCOUNT														
Net Interest Income	953	1,522	2,654	4,052	3,391	28.4	33.2	37.2	68.7	55.2	59.7%	74.3%	52.7%	-16.3%
Fees & Commissions	393	488	395	355	454	11.7	10.6	5.5	6.0	7.4	24.3%	-19.1%	-10.1%	27.8%
Other Banking Income	377	764	690	380	646	11.2	16.7	9.7	6.4	10.5	102.8%	-9.8%	-45.0%	70.2%
Banking Income	1,723	2,775	3,738	4,787	4,491	51.3	60.5	52.4	81.1	73.1	61.1%	34.7%	28.0%	-6.2%
Staff Costs	691	1,229	1,134	1,435	1,440	20.6	26.8	15.9	24.3	23.4	77.8%	-7.7%	26.5%	0.4%
Other Costs	619	844	1,169	1,331	1,388	18.4	18.4	16.4	22.5	22.6	36.4%	38.5%	13.8%	4.3%
Depreciation	192	209	200	203	215	5.7	4.6	2.8	3.4	3.5	8.9%	-4.3%	1.4%	5.7%
Total Costs	1,502	2,282	2,504	2,969	3,042	44.7	49.7	35.1	50.3	49.5	51.9%	9.7%	18.6%	2.5%
Operating Income	220	492	1,235	1,818	1,448	6.6	10.7	17.3	30.8	23.6	123.4%	150.7%	47.3%	-20.3%
Net Loan Loss Provisions (LLP)	237	185	495	279	-301	7.1	4.0	6.9	4.7	-4.9	-22.1%	167.7%	-43.6%	n.m.
Pre-Tax Profits	-17	308	740	1,539	1,749	-0.5	6.7	10.4	26.1	28.5	n.m.	140.5%	108.0%	13.7%
Taxes	0	0	165	436	369	0.0	0.0	2.3	7.4	6.0	n.m.	n.m.	164.7%	-15.4%
Net Profit	-17	308	575	1,103	1,380	-0.5	6.7	8.1	18.7	22.5	n.m.	86.9%	91.8%	25.2%
RATIOS														
Net Interest Margin (NII/ATA)	4.77%	6.58%	10.44%	14.15%	10.03%	4.77%	6.58%	10.44%	14.15%	10.03%	1.81%	3.86%	3.72%	-4.13%
Net Interest Income (% of Revenue)	55.3%	54.9%	71.0%	84.7%	75.5%	55.3%	54.9%	71.0%	84.7%	75.5%	-0.5%	16.1%	13.7%	-9.2%
Fees (% of Banking Income)	22.8%	17.6%	10.6%	7.4%	10.1%	22.8%	17.6%	10.6%	7.4%	10.1%	-5.2%	-7.0%	-3.1%	2.7%
Staff Costs (% of Total Costs)	46.0%	53.8%	45.3%	48.3%	47.3%	46.0%	53.8%	45.3%	48.3%	47.3%	7.8%	-8.5%	3.0%	-1.0%
Costs per Employee ('000)	740	1,475	1,370	1,805	1,813	22.0	32.1	19.2	30.6	29.5	99.4%	-7.1%	31.7%	0.5%
Cost-to-Income (incl. Depreciation)	87.2%	82.3%	67.0%	62.0%	67.7%	87.2%	82.3%	67.0%	62.0%	67.7%	-5.0%	-15.3%	-5.0%	5.7%
Net LLP (% of Loans)	2.40%	1.62%	3.47%	2.71%	-2.52%	2.40%	1.62%	3.47%	2.71%	-2.52%	-0.78%	1.85%	-0.76%	-5.23%
Tax Rate	0.0%	0.0%	22.3%	28.3%	21.1%	0.0%	0.0%	22.3%	28.3%	21.1%	0.0%	22.3%	6.1%	-7.3%
ROE	-0.5%	8.1%	13.4%	20.4%	20.5%	-0.5%	8.1%	13.4%	20.4%	20.5%	8.6%	5.2%	7.0%	0.1%
ROA	-0.07%	1.31%	2.10%	3.69%	3.66%	-0.07%	1.31%	2.10%	3.69%	3.66%	1.38%	0.79%	1.58%	-0.03%
Loans/Deposits	70.3%	67.3%	70.1%	48.1%	43.5%	70.3%	67.3%	70.1%	48.1%	43.5%	-3.0%	2.7%	-22.0%	-4.6%
Loans/Assets	43.4%	48.6%	52.1%	34.4%	31.7%	43.4%	48.6%	52.1%	34.4%	31.7%	5.1%	3.6%	-17.7%	-2.7%
Deposits/Liabilities	73.5%	86.0%	88.3%	87.3%	88.7%	73.5%	86.0%	88.3%	87.3%	88.7%	12.6%	2.3%	-1.0%	1.4%
Loans in Local Currency (% Total)	87.9%	86.2%	78.9%	83.3%	79.8%	81.4%	80.9%	74.5%	77.2%	75.7%	-1.7%	-7.3%	4.3%	-3.5%
Deposits in Local Currency (% Total)	71.0%	70.3%	62.8%	66.8%	66.6%	71.0%	70.3%	62.8%	66.8%	66.6%	-0.7%	-7.6%	4.1%	-0.2%
Loans per Branch ('000)	229,718	265,418	331,530	244,951	271,394	6,837	5,783	4,647	4,150	4,415	15.5%	24.9%	-26.1%	10.8%
Deposits per Branch ('000)	326,546	394,256	473,240	509,526	624,492	9,719	8,589	6,633	8,633	10,159	20.7%	20.0%	7.7%	22.6%
Solvency Ratio	27.3%	24.7%	19.7%	24.8%	23.1%	27.3%	24.7%	19.7%	24.8%	23.1%	-2.6%	-5.0%	5.1%	-1.8%
NPL Ratio	13.93%	9.44%	17.82%	9.50%	7.89%	13.93%	9.44%	17.82%	9.50%	7.89%	-4.48%	8.37%	-8.32%	-1.61%
NPL Coverage	52.8%	64.8%	31.6%	76.4%	65.4%	52.8%	64.8%	31.6%	76.4%	65.4%	12.0%	-33.2%	44.8%	-11.0%
BS Provisions/Loans (gross)	7.35%	6.12%	5.64%	7.26%	5.16%	7.35%	6.12%	5.64%	7.26%	5.16%	-1.23%	-0.48%	1.62%	-2.10%

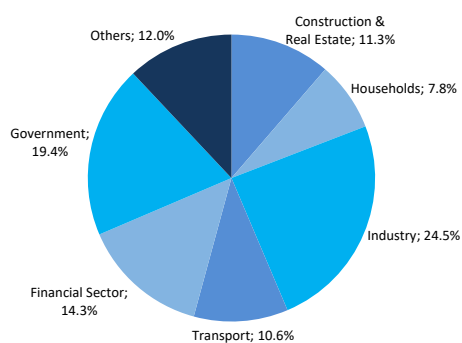
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

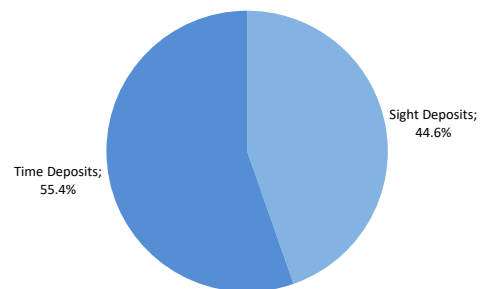
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2018

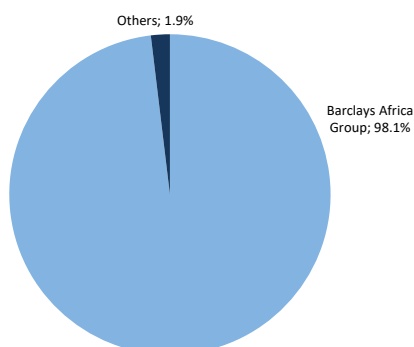
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

Sources: Annual Reports and Eaglestone Securities.

MOZA BANCO

Moza Banco disclosed a net loss of MZM 768 million (US\$ -12.5 million) in 2018 after the impact of yet another weak operating performance (with total costs exceeding revenues) more than outweighed the favorable impact of much lower loan provisions in the period. This meant that the bank saw a third consecutive year of losses, although these were much smaller than the losses in 2016-17.

Moza Banco reported another net loss in 2018 after a weak operating performance in the period

In particular, revenues were almost flat from the previous year, with net interest income falling 5.6% YoY and more than offsetting a strong increase in fees (42% YoY). The bank stated that the lower net interest income was due to faster growth in deposits than in net loans that led to another drop in the loans-to-deposits ratio (72.3% vs. 85.1% in 2017 and 106.8% in 2016) and some margin pressure coming from lower interest rates last year. The strong improvement in fees reflected a favorable evolution in commissions associated with new credit production and the significant increase in transactions in direct channels and self-banking. In terms of costs, these rose 21.5% YoY and reflect (1) the hiring of 21 new employees (lifting the workforce to 753 people), (2) adjustments done to the salaries of 80 employees, (3) an update of the salary table of the bank and (4) bonus payments to employees. Overall, Moza's cost-to-income ratio rose to 118.4% (from 98.4% in 2017), clearly remaining the highest amongst the largest banks.

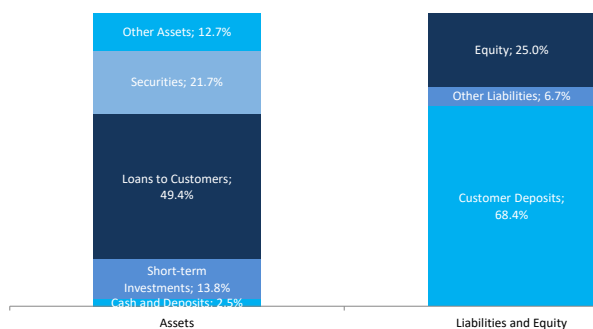
Revenues stood almost flat from the previous year, with net interest income under pressure from lower loan growth and margins

Below the operating income line, loan impairments were down nearly 82% YoY after the bank had recorded a significant amount of loan provisions in the previous two years. This translates into a much lower cost-of-risk charge of 141bps, which compares with 920bps in 2017 and 752bps in 2016. Moreover, the bank reported a slight increase in its NPL ratio to 10.2% as a result of the continued deceleration in economic activity in the country, while NPL coverage stood at 174% (vs. 9.5% and 171.1%, respectively, in 2017). Finally, the solvency ratio reached 21.7%, which is slightly lower than the 23.5% in the previous year. Recall that Moza had a capital increase operation of MZM 11,712 million (nearly US\$ 200 million) in 2017 after its solvency levels fell to -98.9% in the previous year.

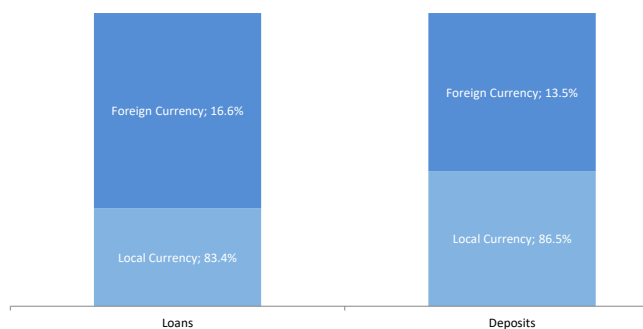
Lower loan impairments were insufficient to offset the impact from a weak operating performance

MOZA BANCO	MZM Million					US\$ Million					% Change (MZM)			
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCE SHEET														
Net Assets	23,100	31,369	27,673	26,676	36,411	688	683	388	452	592	35.8%	-11.8%	-3.6%	36.5%
Customer Loans (net)	13,650	17,937	17,146	15,281	17,986	406	391	240	259	293	31.4%	-4.4%	-10.9%	17.7%
Local Currency Loans	12,114	15,932	14,050	13,309	14,993	361	347	197	225	244	31.5%	-11.8%	-5.3%	12.7%
Loan Loss Provisions	369	515	1,980	2,947	3,873	11	11	28	50	63	39.5%	284.8%	48.9%	31.4%
Non-Performing Loans	311	420	1,502	1,723	2,226	9	9	21	29	36	35.0%	257.8%	14.7%	29.2%
Customer Deposits	16,914	24,735	16,058	17,960	24,893	503	539	225	304	405	46.2%	-35.1%	11.8%	38.6%
Local Currency Deposits	14,976	20,361	12,755	15,222	21,539	446	444	179	258	350	36.0%	-37.4%	19.3%	41.5%
Sight Deposits	6,268	9,519	7,882	6,788	8,002	187	207	110	115	130	51.9%	-17.2%	-13.9%	17.9%
Equity	2,098	2,441	-2,775	7,198	9,093	62	53	-39	122	148	16.3%	-213.7%	-359.3%	26.3%
P&L ACCOUNT														
Net Interest Income	779	725	946	1,968	1,858	23.2	15.8	13.3	33.3	30.2	-6.9%	30.4%	108.1%	-5.6%
Fees & Commissions	341	432	386	324	461	10.2	9.4	5.4	5.5	7.5	26.5%	-10.6%	-16.0%	42.1%
Other Banking Income	669	1,350	-808	175	173	19.9	29.4	-11.3	3.0	2.8	101.8%	n.m.	n.m.	-1.2%
Banking Income	1,790	2,507	524	2,467	2,491	53.3	54.6	7.3	41.8	40.5	40.1%	-79.1%	370.6%	1.0%
Staff Costs	622	887	1,005	943	1,138	18.5	19.3	14.1	16.0	18.5	42.7%	13.3%	-6.2%	20.7%
Other Costs	648	932	2,397	1,091	1,431	19.3	20.3	33.6	18.5	23.3	43.7%	157.3%	-54.5%	31.2%
Depreciation	195	322	417	394	381	5.8	7.0	5.8	6.7	6.2	65.3%	29.5%	-5.5%	-3.2%
Total Costs	1,465	2,140	3,819	2,427	2,950	43.6	46.6	53.5	41.1	48.0	46.1%	78.4%	-36.4%	21.5%
Operating Income	325	367	-3,295	40	-459	9.7	8.0	-46.2	0.7	-7.5	13.0%	n.m.	n.m.	n.m.
Net Loan Loss Provisions (LLP)	145	276	1,290	1,406	254	4.3	6.0	18.1	23.8	4.1	89.9%	366.8%	9.0%	-81.9%
Other	0	0	-681	-91	-1	0.0	0.0	-9.5	-1.5	0.0	n.m.	n.m.	-86.6%	-99.2%
Pre-Tax Profits	179	91	-5,265	-1,457	-713	5.3	2.0	-73.8	-24.7	-11.6	-49.4%	n.m.	-72.3%	-51.0%
Taxes	26	9	-172	2	55	0.8	0.2	-2.4	0.0	0.9	-66.2%	n.m.	n.m.	3518.4%
Net Profit	153	82	-5,093	-1,459	-768	4.6	1.8	-71.4	-24.7	-12.5	-46.6%	n.m.	-71.4%	-47.3%
RATIOS														
Net Interest Margin (NII/ATA)	4.11%	2.66%	3.20%	7.24%	5.89%	4.11%	2.66%	3.20%	7.24%	5.89%	-1.45%	0.54%	4.04%	-1.35%
Net Interest Income (% of Revenue)	43.5%	28.9%	180.4%	79.8%	74.6%	43.5%	28.9%	180.4%	79.8%	74.6%	-14.6%	151.5%	-100.6%	-5.2%
Fees (% of Banking Income)	19.1%	17.2%	73.6%	13.1%	18.5%	19.1%	17.2%	73.6%	13.1%	18.5%	-1.9%	56.4%	-60.5%	5.4%
Staff Costs (% of Total Costs)	42.4%	41.4%	26.3%	38.8%	38.6%	42.4%	41.4%	26.3%	38.8%	38.6%	-1.0%	-15.1%	12.5%	-0.3%
Costs per Employee ('000)	977	1,109	1,375	1,288	1,511	29	24	19	22	25	13.4%	24.0%	-6.3%	17.3%
Cost-to-Income (incl. Depreciation)	81.8%	85.4%	728.4%	98.4%	118.4%	81.8%	85.4%	728.4%	98.4%	118.4%	3.5%	643.0%	-630.0%	20.0%
Net LLP (% of Loans)	1.07%	1.54%	7.52%	9.20%	1.41%	1.07%	1.54%	7.52%	9.20%	1.41%	0.47%	5.98%	1.68%	-7.79%
TaxRate	14.7%	9.9%	3.3%	-0.1%	-7.7%	14.7%	9.9%	3.3%	-0.1%	-7.7%	-4.9%	-6.6%	-3.4%	-7.6%
ROE	7.3%	3.3%	183.5%	-20.3%	-8.5%	7.3%	3.3%	183.5%	-20.3%	-8.5%	-3.9%	180.1%	-203.8%	11.8%
ROA	0.66%	0.26%	-18.40%	-5.47%	-2.11%	0.66%	0.26%	-18.40%	-5.47%	-2.11%	-0.40%	-18.66%	12.93%	3.36%
Loans/Deposits	80.7%	72.5%	106.8%	85.1%	72.3%	80.7%	72.5%	106.8%	85.1%	72.3%	-8.2%	34.3%	-21.7%	-12.8%
Loans/Assets	59.1%	57.2%	62.0%	57.3%	49.4%	59.1%	57.2%	62.0%	57.3%	49.4%	-1.9%	4.8%	-4.7%	-7.9%
Deposits/Liabilities	80.5%	85.5%	52.7%	92.2%	91.1%	80.5%	85.5%	52.7%	92.2%	91.1%	5.0%	-32.8%	39.5%	-1.1%
Loans in Local Currency (% Total)	88.7%	88.8%	81.9%	87.1%	83.4%	88.7%	88.8%	81.9%	87.1%	83.4%	0.1%	-6.9%	5.2%	-3.7%
Deposits in Local Currency (% Total)	88.5%	82.3%	79.4%	84.8%	86.5%	88.5%	82.3%	79.4%	84.8%	86.5%	-6.2%	-2.9%	5.3%	1.8%
Loans per Branch ('000)	303,330	304,025	311,746	288,321	327,011	9,028	6,624	4,369	4,885	5,320	0.2%	2.5%	-7.5%	13.4%
Deposits per Branch ('000)	375,877	419,232	291,969	338,870	452,604	11,187	9,134	4,092	5,742	7,363	11.5%	-30.4%	16.1%	33.6%
Solvency Ratio	10.5%	9.9%	-98.9%	23.5%	21.7%	10.5%	9.9%	-98.9%	23.5%	21.7%	-0.5%	-108.8%	122.3%	-1.8%
NPL Ratio	2.2%	2.3%	7.9%	9.5%	10.2%	2.2%	2.27%	7.85%	9.45%	10.18%	0.06%	5.58%	1.60%	0.73%
NPL Coverage	118.6%	122.6%	131.8%	171.1%	174.0%	118.6%	122.6%	131.8%	171.1%	174.0%	4.0%	9.2%	39.2%	2.9%
BS Provisions/Loans (gross)	2.63%	2.79%	10.35%	16.17%	17.72%	2.63%	2.79%	10.35%	16.17%	17.72%	0.16%	7.56%	5.82%	1.55%

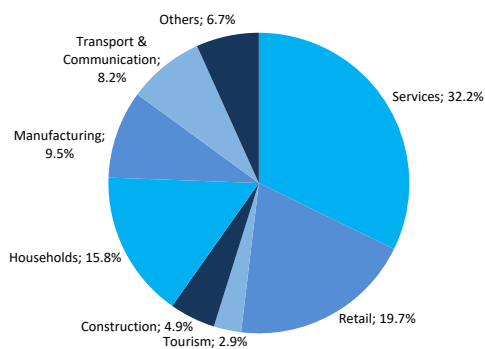
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

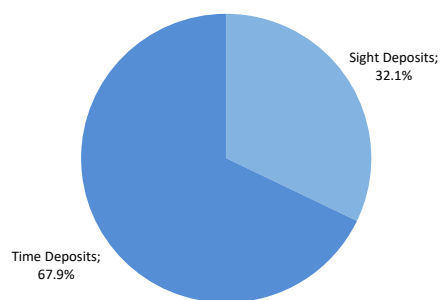
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2018

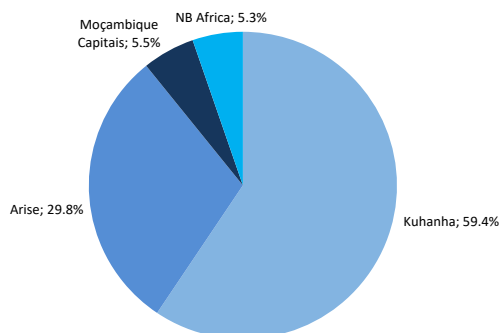
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

Sources: Annual Reports and Eaglestone Securities.

Sources: Annual Reports and Eaglestone Securities.

BANCO ÚNICO

Banco Único's net profit fell 16.1% YoY to MZM 437 million (US\$ 7.1 million) in 2018. This figure represents a ROE of 12.1% and ROA of 1.69% (vs. 16.3% and 2.16%, respectively, in the previous year). The evolution of the bank's net profit reflects a significant drop in operating income (22.2% YoY) after the bank witnessed strong revenue pressure and a low double-digit increase in costs. Bottom-line was further impacted by higher loan impairments in the period.

Banco Único saw a 16.1% YoY decline in net profit as lower operating income and higher provisions hurt the bottom-line

On the revenue front, while net interest income and fees stood almost unchanged from 2017, Banco Único saw a marked decline in other banking income (-30.8% YoY), as profits from financial operations fell 16.1% YoY and other operating results had a negative contribution in the period. Total expenses advanced 12% YoY, with higher staff costs reflecting an increase in the number of employees (from 562 to 616 people), career progressions and salary adjustments. The bank stated that the increase in administrative costs (14.1% YoY) includes some one-off charges. This lower contribution from revenues meant that the cost-to-income ratio rose to 60% from 51% in the previous year.

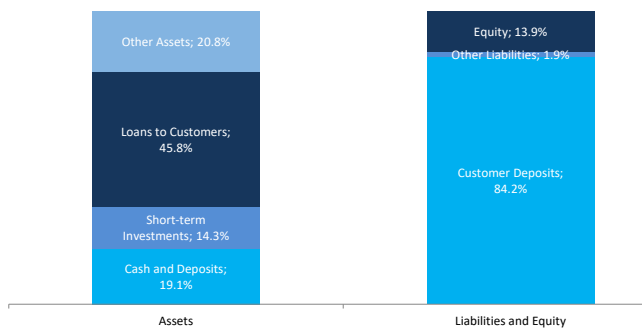
A weak evolution in terms of revenues and a low double-digit increase in costs meant that the cost-to-income ratio rose to 60% from 51% in the previous year

Below the operating income line, results were further impacted by higher net loan impairments (3.3% YoY) after these had already doubled in 2017. They represented 3.64% of net loans (vs. 3.89% in the previous year). This allowed the bank to continue to strengthen provisions in the balance sheet, as these stood at MZM 1,070 million (+44.4% YoY) and accounted for 8.6% of its gross loan portfolio. This notwithstanding, NPLs nearly trebled in the period and lifted the NPL ratio to 9.0% while NPL coverage fell to 91.8%. These figures compare with 3.6% and 177.4%, respectively, in the previous year. This significant deterioration in asset quality likely reflects the slowdown in economic activity in the country, but needs to be monitored closely. Finally, the bank's solvency ratio stood at 15.8%, down from 17.7% in the previous year.

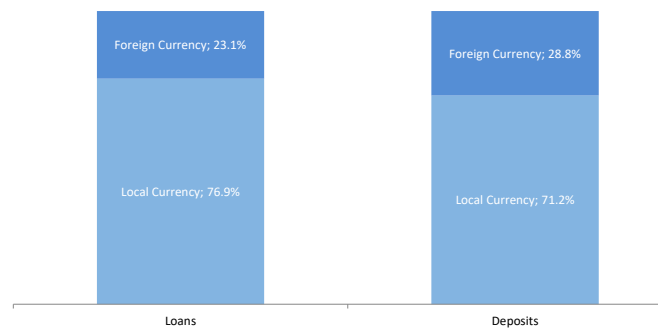
The bank saw a marked deterioration in asset quality, with the NPL ratio surging to 9.0% (from 3.6% in 2017)

BANCO ÚNICO	MZM Million					US\$ Million					% Change (MZM)			
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	15/14	16/15	17/16	18/17
BALANCE SHEET														
Net Assets	12,584	16,998	22,741	24,154	25,926	375	370	319	409	422	35.1%	33.8%	6.2%	7.3%
Customer Loans (net)	7,564	9,185	11,404	10,769	11,878	225	200	160	182	193	21.4%	24.2%	-5.6%	10.3%
Local Currency Loans	6,567	8,118	9,126	8,133	9,135	195	177	128	138	149	23.6%	12.4%	-10.9%	12.3%
Loan Loss Provisions	245	435	450	741	1,070	7	9	6	13	17	77.7%	3.5%	64.5%	44.4%
Non-Performing Loans	139	320	251	418	1,165	4	7	4	7	19	130.2%	-21.7%	66.4%	178.8%
Customer Deposits	10,385	14,302	19,206	19,934	21,855	309	312	269	338	356	37.7%	34.3%	3.8%	9.6%
Local Currency Deposits	7,809	9,705	11,650	13,828	15,554	232	211	163	234	253	24.3%	20.0%	18.7%	12.5%
Sight Deposits	6,208	8,257	10,440	10,111	11,219	185	180	146	171	183	33.0%	26.4%	-3.1%	11.0%
Equity	1,205	1,986	2,432	3,203	3,603	36	43	34	54	59	64.8%	22.5%	31.7%	12.5%
P&L ACCOUNT														
Net Interest Income	611	850	1,246	1,770	1,760	18.2	18.5	17.5	30.0	28.6	39.0%	46.6%	42.0%	-0.5%
Fees & Commissions	189	218	306	358	353	5.6	4.8	4.3	6.1	5.7	15.1%	40.4%	16.8%	-1.5%
Other Banking Income	195	312	459	334	231	5.8	6.8	6.4	5.7	3.8	59.8%	47.0%	-27.1%	-30.8%
Banking Income	996	1,380	2,011	2,462	2,344	29.6	30.1	28.2	41.7	38.1	38.5%	45.7%	22.4%	-4.8%
Staff Costs	443	558	708	755	813	13.2	12.2	9.9	12.8	13.2	26.1%	26.8%	6.8%	7.7%
Other Costs	207	257	379	411	469	6.2	5.6	5.3	7.0	7.6	24.0%	47.3%	8.5%	14.1%
Depreciation	129	74	86	89	124	3.8	1.6	1.2	1.5	2.0	-42.1%	15.0%	4.5%	38.8%
Total Costs	779	890	1,172	1,256	1,406	23.2	19.4	16.4	21.3	22.9	14.3%	31.7%	7.1%	12.0%
Operating Income	218	490	839	1,206	938	6.5	10.7	11.8	20.4	15.3	125.2%	71.1%	43.8%	-22.2%
Net Loan Loss Provisions (LLP)	164	313	193	419	433	4.9	6.8	2.7	7.1	7.0	90.9%	-38.2%	116.8%	3.3%
Other	-20	-24	-24	-18	51	-0.6	-0.5	-0.3	-0.3	0.8	21.5%	-3.0%	-21.7%	n.m.
Pre-Tax Profits	34	153	622	769	557	1.0	3.3	8.7	13.0	9.1	351.9%	306.1%	23.6%	-27.6%
Taxes	14	36	182	248	119	0.4	0.8	2.6	4.2	1.9	155.9%	399.3%	36.1%	-51.9%
Net Profit	20	117	440	521	437	0.6	2.5	6.2	8.8	7.1	493.8%	277.0%	18.4%	-16.1%
RATIOS														
Net Interest Margin (NII/ATA)	5.68%	5.74%	6.27%	7.55%	7.03%	5.68%	5.74%	6.27%	7.55%	7.03%	0.07%	0.53%	1.28%	-0.52%
Net Interest Income (% of Revenue)	61.4%	61.6%	62.0%	71.9%	75.1%	61.4%	61.6%	62.0%	71.9%	75.1%	0.2%	0.4%	9.9%	3.2%
Fees (% of Banking Income)	19.0%	15.8%	15.2%	14.5%	15.0%	19.0%	15.8%	15.2%	14.5%	15.0%	-3.2%	-0.6%	-0.7%	0.5%
Staff Costs (% of Total Costs)	56.8%	62.7%	60.4%	60.1%	57.8%	56.8%	62.7%	60.4%	60.1%	57.8%	5.9%	-2.4%	-0.2%	-2.3%
Costs per Employee ('000)	1,135	1,257	1,379	1,344	1,320	34	27	19	23	21	10.8%	9.7%	-2.6%	-1.8%
Cost-to-Income (incl. Depreciation)	78.2%	64.5%	58.3%	51.0%	60.0%	78.2%	64.5%	58.3%	51.0%	60.0%	-13.7%	-6.2%	-7.3%	9.0%
Net LLP (% of Loans)	2.17%	3.40%	1.69%	3.89%	3.64%	2.17%	3.40%	1.69%	3.89%	3.64%	1.24%	-1.71%	2.20%	-0.25%
Tax Rate	42.0%	23.8%	29.2%	32.2%	21.4%	42.0%	23.8%	29.2%	32.2%	21.4%	-18.2%	5.5%	3.0%	-10.8%
ROE	1.6%	5.9%	18.1%	16.3%	12.1%	1.6%	5.9%	18.1%	16.3%	12.1%	4.3%	12.2%	-1.8%	-4.1%
ROA	0.16%	0.69%	1.94%	2.16%	1.69%	0.16%	0.69%	1.94%	2.16%	1.69%	0.53%	1.25%	0.22%	-0.47%
Loans/Deposits	72.8%	64.2%	59.4%	54.0%	54.3%	72.8%	64.2%	59.4%	54.0%	54.3%	-8.6%	-4.8%	-5.4%	0.3%
Loans/Assets	60.1%	54.0%	50.2%	44.6%	45.8%	60.1%	54.0%	50.2%	44.6%	45.8%	-6.1%	-3.9%	-5.6%	1.2%
Deposits/Liabilities	91.3%	95.3%	94.6%	95.1%	97.9%	91.3%	95.3%	94.6%	95.1%	97.9%	4.0%	-0.7%	0.6%	2.8%
Loans in Local Currency (% Total)	86.8%	88.4%	80.0%	75.5%	76.9%	86.8%	88.4%	80.0%	75.5%	76.9%	1.6%	-8.4%	-4.5%	1.4%
Deposits in Local Currency (% Total)	75.2%	67.9%	60.7%	69.4%	71.2%	75.2%	67.9%	60.7%	69.4%	71.2%	-7.3%	-7.2%	8.7%	1.8%
Loans per Branch ('000)	444,916	510,284	570,223	538,468	516,415	13,242	11,117	7,992	9,123	8,401	14.7%	11.7%	-5.6%	-4.1%
Deposits per Branch ('000)	610,869	794,546	960,296	996,717	950,202	18,181	17,310	13,459	16,888	15,458	30.1%	20.9%	3.8%	-4.7%
Solvency Ratio	10.0%	16.4%	12.4%	17.7%	15.8%	10.0%	16.4%	12.4%	17.7%	15.8%	6.4%	-4.0%	5.3%	-1.9%
NPL Ratio	1.78%	3.33%	2.12%	3.63%	9.00%	1.78%	3.33%	2.12%	3.63%	9.00%	1.55%	-1.21%	1.51%	5.37%
NPL Coverage	175.9%	135.8%	179.4%	177.4%	91.8%	175.9%	135.8%	179.4%	177.4%	91.8%	-40.1%	43.6%	-2.1%	-85.5%
BS Provisions/Loans (gross)	3.14%	4.52%	3.80%	6.44%	8.26%	3.14%	4.52%	3.80%	6.44%	8.26%	1.39%	-0.72%	2.64%	1.82%

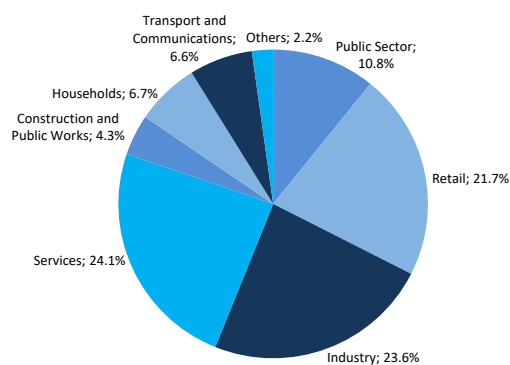
Source: Annual Reports and Eaglestone Securities.

BALANCE SHEET STRUCTURE - 2018

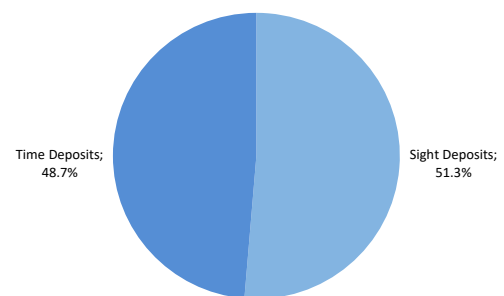
Sources: Annual Reports and Eaglestone Securities.

LOANS AND DEPOSITS BY CURRENCY - 2018

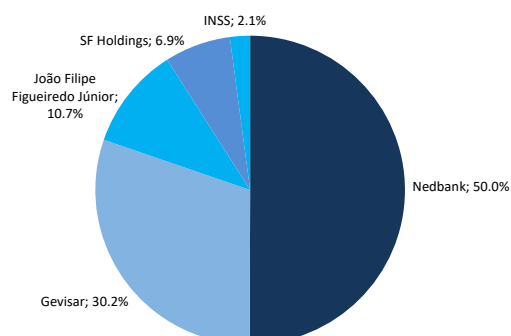
Sources: Annual Reports and Eaglestone Securities.

LOAN BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

DEPOSIT BREAKDOWN - 2018

Sources: Annual Reports and Eaglestone Securities.

SHAREHOLDER STRUCTURE - 2018

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	2018
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%	6.38%
Millennium bim	8.31%	9.93%	7.23%	6.28%	6.09%	5.48%	7.50%	9.01%	9.13%
Standard Bank Mozambique	5.27%	7.05%	6.09%	5.47%	5.51%	4.96%	7.20%	11.20%	9.87%
Barclays Bank Mozambique	8.02%	7.76%	5.48%	4.41%	4.77%	6.58%	10.44%	14.15%	10.03%
Moza Banco	8.97%	7.32%	5.89%	5.54%	4.11%	2.66%	3.20%	7.24%	5.89%
Banco Único	0.21%	-1.06%	1.25%	4.83%	5.68%	5.74%	6.27%	7.55%	7.03%
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%	61.8%	69.6%
Millennium bim	59.6%	67.9%	61.4%	58.9%	61.0%	55.9%	66.8%	77.2%	75.5%
Standard Bank Mozambique	53.4%	61.7%	54.2%	51.6%	48.1%	39.5%	54.3%	71.5%	69.1%
Barclays Bank Mozambique	57.5%	71.1%	62.7%	61.5%	55.3%	54.9%	71.0%	84.7%	75.5%
Moza Banco	58.8%	64.0%	59.0%	54.4%	43.5%	28.9%	180.4%	79.8%	74.6%
Banco Único	-13.8%	20.6%	23.0%	60.5%	61.4%	61.6%	62.0%	71.9%	75.1%
Fees (% of Banking Income)									
Banco Comercial e de Investimentos	14.1%	20.1%	20.6%	21.0%	21.3%	20.5%	21.0%	12.4%	13.1%
Millennium bim	13.5%	14.5%	17.8%	20.1%	19.6%	17.9%	14.6%	13.6%	12.3%
Standard Bank Mozambique	18.0%	15.0%	15.3%	18.0%	16.5%	14.7%	12.5%	9.6%	11.5%
Barclays Bank Mozambique	18.8%	20.8%	29.3%	36.9%	22.8%	17.6%	10.6%	7.4%	10.1%
Moza Banco	13.1%	13.4%	20.2%	19.7%	19.1%	17.2%	73.6%	13.1%	18.5%
Banco Único	6.0%	-4.9%	24.3%	17.1%	19.0%	15.8%	15.2%	14.5%	15.0%
Staff Costs (% of Total Costs)									
Banco Comercial e de Investimentos	44.4%	45.2%	48.9%	49.8%	47.0%	50.8%	52.1%	53.1%	54.4%
Millennium bim	45.6%	46.3%	47.9%	47.6%	47.1%	45.2%	44.8%	43.6%	43.1%
Standard Bank Mozambique	46.6%	53.1%	55.1%	58.4%	55.2%	58.5%	56.9%	58.3%	58.5%
Barclays Bank Mozambique	39.2%	39.1%	42.4%	52.4%	46.0%	53.8%	45.3%	48.3%	47.3%
Moza Banco	51.2%	45.9%	46.2%	44.4%	42.4%	41.4%	26.3%	38.8%	38.6%
Banco Único	71.7%	71.2%	56.2%	53.1%	56.8%	62.7%	60.4%	60.1%	57.8%
Costs per Employee ('000 MZM)									
Banco Comercial e de Investimentos	643	665	714	802	808	883	1,076	1,227	1,309
Millennium bim	696	651	730	765	817	892	1,039	1,073	1,147
Standard Bank Mozambique	941	1,167	1,276	1,398	1,490	1,732	2,067	2,688	2,847
Barclays Bank Mozambique	891	1,029	1,080	990	740	1,475	1,370	1,805	1,813
Moza Banco	1,145	893	868	1,068	977	1,109	1,375	1,288	1,511
Banco Único	334	1,675	1,308	1,091	1,135	1,257	1,379	1,344	1,320
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	34,702	34,743
Millennium bim	23,594	22,695	23,159	23,830	24,772	27,455	31,684	32,738	33,911
Standard Bank Mozambique	46,886	57,693	65,970	67,382	71,195	85,336	107,732	135,753	144,970
Barclays Bank Mozambique	32,828	34,994	36,056	38,030	34,935	53,079	58,229	70,680	69,140
Moza Banco	48,477	23,196	19,077	29,217	32,548	36,278	69,435	45,802	53,636
Banco Único	n.a.	65,183	44,401	42,840	45,797	49,439	58,612	62,798	61,147
Cost-to-Income (incl. Depreciation)									
Banco Comercial e de Investimentos	60.5%	62.9%	62.9%	64.8%	62.2%	61.9%	61.9%	52.2%	49.2%
Millennium bim	40.6%	36.4%	44.0%	43.6%	42.9%	42.1%	38.3%	37.9%	37.6%
Standard Bank Mozambique	59.1%	51.4%	51.8%	54.4%	54.6%	46.8%	44.4%	41.5%	43.3%
Barclays Bank Mozambique	91.1%	104.6%	119.8%	136.9%	87.2%	82.3%	67.0%	62.0%	67.7%
Moza Banco	49.4%	88.4%	101.8%	87.8%	81.8%	85.4%	728.4%	98.4%	118.4%
Banco Único	n.m.	n.m.	233.1%	108.6%	78.2%	64.5%	58.3%	51.0%	60.0%
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%	1.86%
Millennium bim	2.10%	2.24%	1.22%	0.93%	0.88%	1.65%	2.10%	3.26%	4.86%
Standard Bank Mozambique	0.16%	1.05%	2.18%	1.72%	0.84%	1.21%	3.81%	1.34%	0.75%
Barclays Bank Mozambique	1.51%	4.20%	7.36%	2.05%	2.40%	1.62%	3.47%	2.71%	-2.52%
Moza Banco	0.40%	0.27%	1.44%	1.32%	1.07%	1.54%	7.52%	9.20%	1.41%
Banco Único	n.a.	1.98%	1.94%	1.26%	2.17%	3.40%	1.69%	3.89%	3.64%
Tax Rate									
Banco Comercial e de Investimentos	17.0%	18.3%	15.1%	12.2%	25.2%	28.7%	25.3%	27.1%	28.4%
Millennium bim	18.0%	17.6%	17.3%	17.4%	18.5%	19.3%	28.1%	23.6%	18.9%
Standard Bank Mozambique	31.0%	30.9%	29.3%	29.4%	29.4%	33.8%	35.1%	24.1%	24.2%
Barclays Bank Mozambique	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	22.3%	28.3%	21.1%
Moza Banco	29.9%	22.4%	17.9%	39.3%	14.7%	9.9%	3.3%	-0.1%	-7.7%
Banco Único	26.5%	31.9%	32.4%	29.0%	42.0%	23.8%	29.2%	32.2%	21.4%
ROE									
Banco Comercial e de Investimentos	26.1%	23.7%	24.5%	19.8%	17.6%	16.5%	12.6%	15.1%	24.3%
Millennium bim	28.5%	33.2%	24.2%	22.3%	20.7%	18.3%	21.3%	21.5%	20.3%
Standard Bank Mozambique	27.6%	22.8%	20.5%	18.4%	19.8%	23.0%	22.1%	32.0%	26.5%
Barclays Bank Mozambique	2.6%	-20.5%	-28.9%	-35.7%	-0.5%	8.1%	13.4%	20.4%	20.5%
Moza Banco	20.1%	2.5%	-5.1%	1.6%	7.3%	3.3%	183.5%	-20.3%	-8.5%
Banco Único	-61.0%	-62.5%	-27.1%	-10.8%	1.6%	5.9%	18.1%	16.3%	12.1%
ROA									
Banco Comercial e de Investimentos	1.95%	1.96%	1.90%	1.46%	1.32%	1.36%	1.00%	1.51%	2.63%
Millennium bim	4.36%	5.93%	4.35%	3.94%	3.57%	3.10%	3.62%	4.49%	4.51%
Standard Bank Mozambique	2.47%	3.42%	2.94%	2.83%	3.20%	3.52%	3.49%	6.40%	5.59%
Barclays Bank Mozambique	0.41%	-2.41%	-4.53%	-3.51%	-0.07%	1.31%	2.10%	3.69%	3.66%
Moza Banco	4.63%	0.73%	-0.78%	0.15%	0.66%	0.26%	-18.40%	-5.47%	-2.11%
Banco Único	-39.29%	-16.04%	-4.08%	-1.13%	0.16%	0.69%	1.94%	2.16%	1.69%

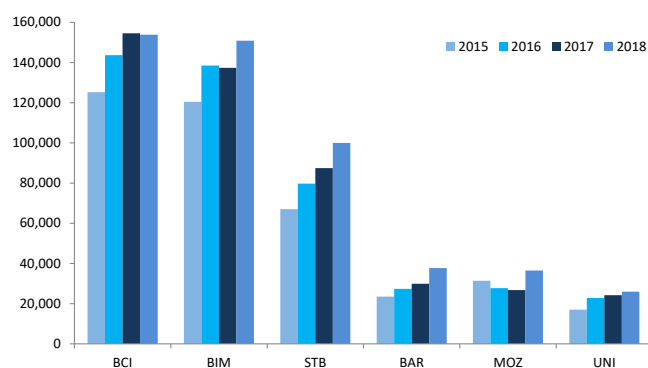
Sources: Annual Reports and Eaglestone Securities.

SIX MAJOR BANKS - MAIN INDICATORS (CONT.)									
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Loans/Deposits									
Banco Comercial e de Investimentos	88.8%	85.5%	73.4%	75.4%	80.0%	75.5%	80.4%	64.1%	56.5%
Millennium bim	83.6%	75.4%	70.9%	74.2%	73.6%	74.4%	80.0%	61.6%	45.3%
Standard Bank Mozambique	42.0%	46.4%	42.5%	53.0%	59.6%	53.9%	47.9%	33.5%	38.3%
Barclays Bank Mozambique	69.2%	69.4%	58.7%	66.1%	70.3%	67.3%	70.1%	48.1%	43.5%
Moza Banco	73.2%	82.1%	79.9%	71.1%	80.7%	72.5%	106.8%	85.1%	72.3%
Banco Único	n.a.	13.1%	54.3%	73.3%	72.8%	64.2%	59.4%	54.0%	54.3%
Loans/Assets									
Banco Comercial e de Investimentos	63.9%	63.0%	54.0%	54.7%	59.1%	55.4%	57.7%	46.9%	42.5%
Millennium bim	62.7%	55.1%	52.3%	54.5%	54.5%	55.1%	56.5%	44.7%	33.3%
Standard Bank Mozambique	35.2%	36.7%	35.3%	42.9%	46.5%	40.1%	37.0%	25.2%	28.3%
Barclays Bank Mozambique	43.2%	45.6%	40.1%	46.1%	43.4%	48.6%	52.1%	34.4%	31.7%
Moza Banco	53.8%	54.9%	57.2%	55.7%	59.1%	57.2%	62.0%	57.3%	49.4%
Banco Único	n.a.	7.3%	43.8%	60.3%	60.1%	54.0%	50.2%	44.6%	45.8%
Deposits/Liabilities									
Banco Comercial e de Investimentos	77.8%	80.3%	79.7%	78.3%	79.8%	79.9%	78.0%	81.2%	84.4%
Millennium bim	88.5%	88.9%	89.8%	89.2%	89.5%	89.2%	85.1%	91.7%	94.4%
Standard Bank Mozambique	92.0%	93.2%	96.7%	95.8%	92.9%	88.0%	91.8%	94.0%	93.8%
Barclays Bank Mozambique	74.1%	74.5%	80.9%	77.3%	73.5%	86.0%	88.3%	87.3%	88.7%
Moza Banco	95.6%	94.2%	84.4%	86.1%	80.5%	85.5%	52.7%	92.2%	91.1%
Banco Único	n.a.	74.8%	94.8%	91.8%	91.3%	95.3%	94.6%	95.1%	97.9%
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%	61.3%
Millennium bim	76.2%	80.9%	74.8%	76.1%	79.0%	78.5%	74.9%	76.5%	82.5%
Standard Bank Mozambique	67.8%	69.2%	65.0%	63.4%	66.6%	64.9%	62.0%	56.3%	67.5%
Barclays Bank Mozambique	86.2%	88.5%	93.6%	88.9%	87.9%	86.2%	78.9%	83.3%	79.8%
Moza Banco	84.9%	82.8%	94.1%	96.8%	88.7%	88.8%	81.9%	87.1%	83.4%
Banco Único	n.a.	51.6%	82.8%	83.6%	86.8%	88.4%	80.0%	75.5%	76.9%
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%	76.9%
Millennium bim	67.2%	74.8%	73.9%	77.1%	79.1%	75.0%	70.6%	75.6%	77.4%
Standard Bank Mozambique	35.7%	48.7%	42.1%	47.6%	49.8%	45.0%	45.3%	56.0%	53.1%
Barclays Bank Mozambique	76.0%	85.9%	71.6%	67.8%	71.0%	70.3%	62.8%	66.8%	66.6%
Moza Banco	65.7%	74.8%	86.0%	86.4%	88.5%	82.3%	79.4%	84.8%	86.5%
Banco Único	n.a.	84.2%	64.0%	74.4%	75.2%	67.9%	60.7%	69.4%	71.2%
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	326,874
Millennium bim	277,639	247,770	253,181	305,227	342,137	392,491	444,790	330,178	259,923
Standard Bank Mozambique	314,469	375,166	439,188	511,382	558,809	671,831	737,206	550,330	707,395
Barclays Bank Mozambique	129,242	143,131	150,493	183,940	229,718	265,418	331,530	244,951	271,394
Moza Banco	391,472	152,104	155,261	229,135	303,330	304,025	311,746	288,321	327,011
Banco Único	n.a.	23,146	231,580	337,401	444,916	510,284	570,223	538,468	516,415
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	578,686
Millennium bim	332,284	328,456	357,074	411,298	464,721	527,838	555,789	535,600	573,716
Standard Bank Mozambique	747,889	809,109	1,032,899	965,314	937,161	1,246,781	1,539,928	1,643,227	1,848,488
Barclays Bank Mozambique	186,744	206,202	256,390	278,463	326,546	394,256	473,240	509,526	624,492
Moza Banco	535,159	185,239	194,304	322,276	375,877	419,232	291,969	338,870	452,604
Banco Único	n.a.	176,706	426,416	460,501	610,869	794,546	960,296	996,717	950,202
Solvency Ratio									
Banco Comercial e de Investimentos	12.3%	13.1%	10.9%	11.9%	8.6%	12.7%	14.0%	17.1%	17.0%
Millennium bim	15.1%	17.9%	21.7%	21.4%	19.0%	19.8%	18.8%	17.1%	39.0%
Standard Bank Mozambique	10.8%	19.0%	17.7%	13.3%	9.7%	15.3%	17.0%	20.4%	19.4%
Barclays Bank Mozambique	17.1%	16.8%	30.5%	8.2%	27.3%	24.7%	19.7%	24.8%	23.1%
Moza Banco	n.a.	35.5%	17.6%	13.5%	10.5%	9.9%	-98.9%	23.5%	21.7%
Banco Único	13.8%	37.4%	17.2%	9.8%	10.0%	16.4%	12.4%	17.7%	15.8%
NPL Ratio									
Banco Comercial e de Investimentos	1.55%	1.13%	0.96%	2.79%	1.93%	1.21%	3.58%	8.40%	5.66%
Millennium bim	1.11%	1.71%	2.12%	1.68%	2.17%	4.18%	3.54%	5.05%	5.33%
Standard Bank Mozambique	0.79%	0.94%	2.77%	2.61%	2.03%	1.57%	7.93%	4.78%	2.60%
Barclays Bank Mozambique	6.19%	13.99%	13.51%	13.36%	13.93%	9.44%	17.82%	9.50%	7.89%
Moza Banco	3.69%	4.47%	1.54%	3.28%	2.22%	2.27%	7.85%	9.45%	10.18%
Banco Único	n.a.	0.00%	0.15%	1.38%	1.78%	3.33%	2.12%	3.63%	9.00%
NPL Coverage									
Banco Comercial e de Investimentos	140.7%	205.0%	198.3%	66.1%	122.7%	155.9%	66.1%	50.0%	158.3%
Millennium bim	481.0%	414.0%	326.9%	348.0%	241.3%	141.7%	205.4%	191.5%	211.9%
Standard Bank Mozambique	57.6%	88.4%	75.0%	85.8%	88.8%	130.2%	62.0%	149.1%	242.2%
Barclays Bank Mozambique	54.1%	36.1%	73.8%	63.4%	52.8%	64.8%	31.6%	76.4%	65.4%
Moza Banco	104.0%	61.1%	156.0%	82.6%	118.6%	122.6%	131.8%	171.1%	174.0%
Banco Único	n.a.	n.a.	1379.4%	169.8%	175.9%	135.8%	179.4%	177.4%	91.8%
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%	8.96%
Millennium bim	5.36%	7.08%	6.93%	5.83%	5.23%	5.92%	7.28%	9.67%	11.29%
Standard Bank Mozambique	0.45%	0.83%	2.08%	2.24%	1.80%	2.05%	4.92%	7.13%	6.31%
Barclays Bank Mozambique	3.35%	5.05%	9.96%	8.46%	7.35%	6.12%	5.64%	7.26%	5.16%
Moza Banco	3.84%	2.73%	2.41%	2.71%	2.63%	2.79%	10.35%	16.17%	17.72%
Banco Único	n.a.	1.94%	2.00%	2.34%	3.14%	4.52%	3.80%	6.44%	8.26%

Sources: Annual Reports and Eaglestone Securities.

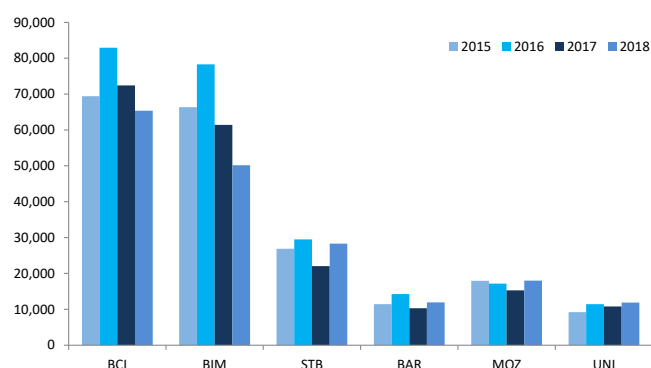
ANNEX II – SIX MAJOR BANKS COMPARISON (GRAPHS)

ASSETS (MZM MILLION)



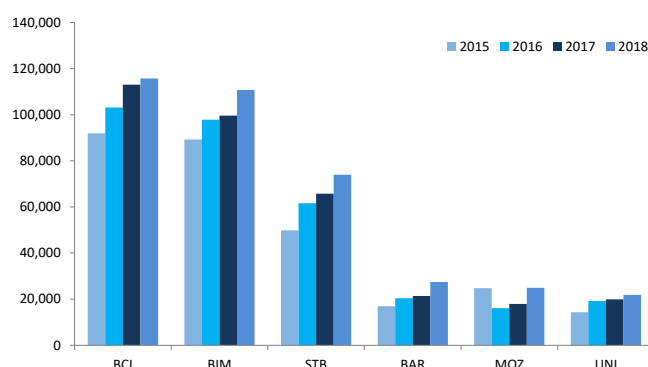
Sources: Annual Reports and Eaglestone Securities.

NET LOANS (MZM MILLION)



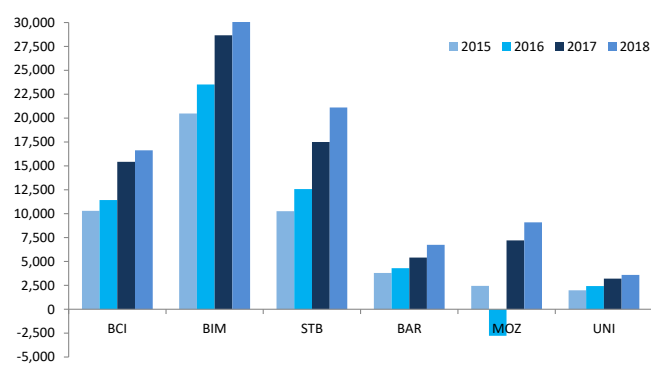
Sources: Annual Reports and Eaglestone Securities.

DEPOSITS (MZM MILLION)



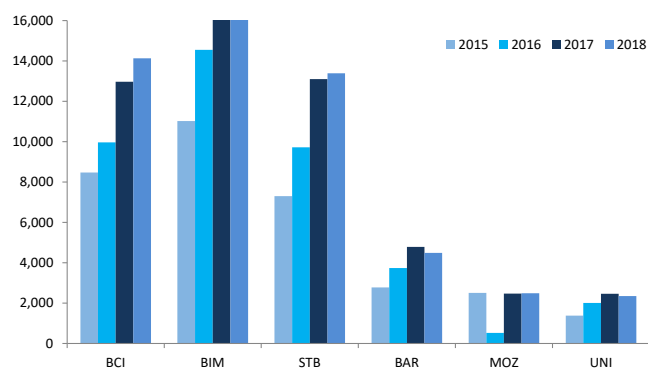
Sources: Annual Reports and Eaglestone Securities.

EQUITY (MZM MILLION)



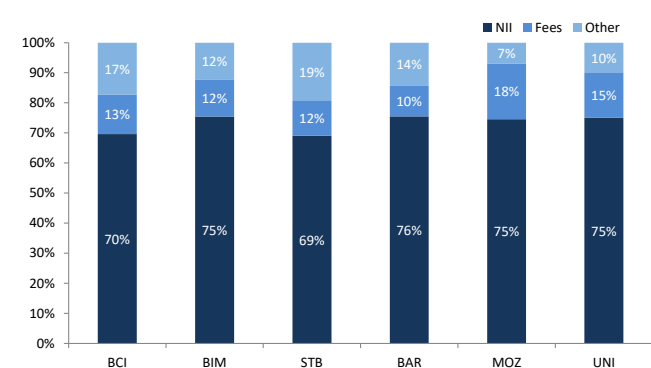
Sources: Annual Reports and Eaglestone Securities.

REVENUES (MZM MILLION)



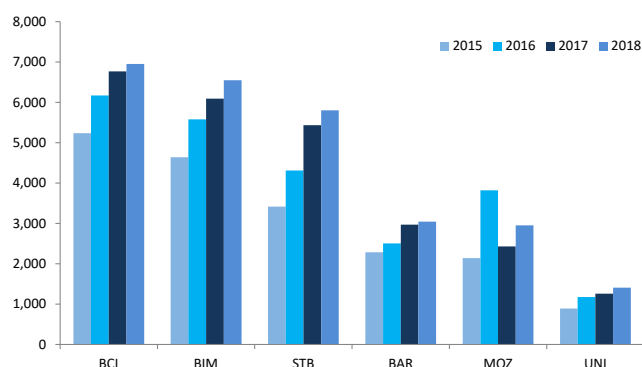
Sources: Annual Reports and Eaglestone Securities.

REVENUE BREAKDOWN - 2018



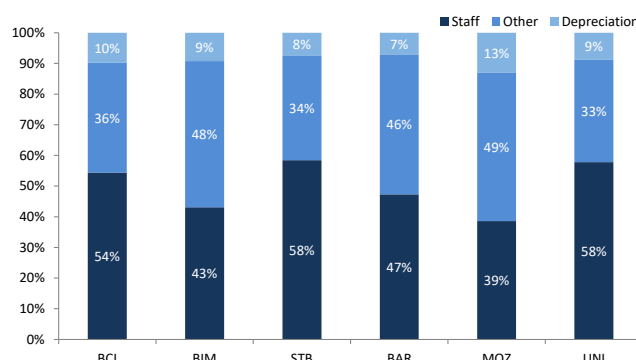
Sources: Annual Reports and Eaglestone Securities.

COSTS (MZM MILLION)



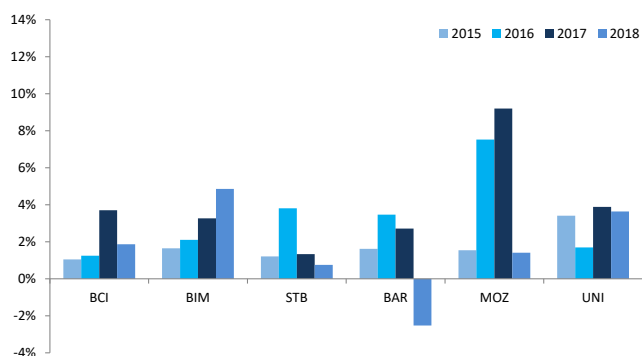
Sources: Annual Reports and Eaglestone Securities.

COSTS BREAKDOWN - 2018



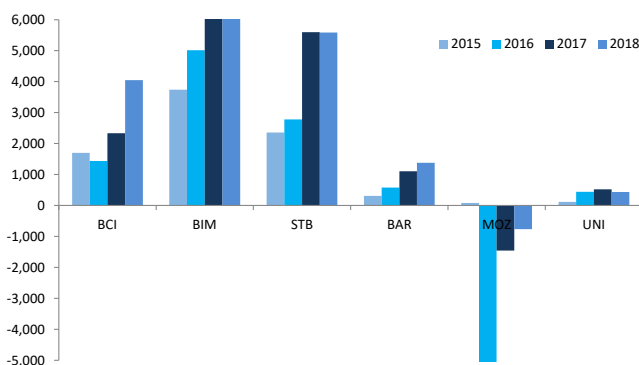
Sources: Annual Reports and Eaglestone Securities.

COST OF RISK (NET LOAN LOSS PROVISIONS / LOANS)



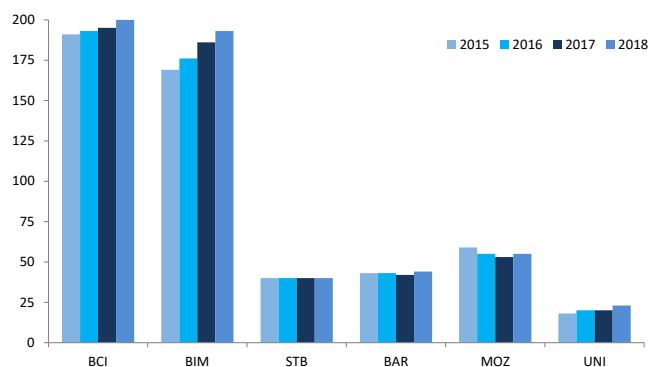
Sources: Annual Reports and Eaglestone Securities.

NET PROFIT (MZM MILLION)



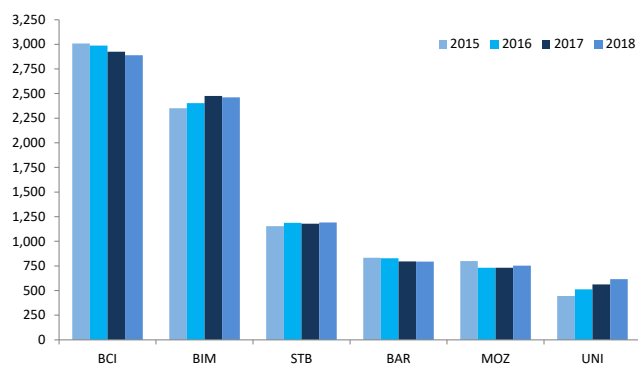
Sources: Annual Reports and Eaglestone Securities.

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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