

COMMUNIQUE NO. 3/2022

I. PRIME RATE OF THE MOZAMBIKAN FINANCIAL SYSTEM

As part of implementing the Reference Rate Agreement of the Mozambican Banking System, the Mozambican Banking Association (AMB) hereby announce the Reference Rate, the Cost Premium and the Prime Rate that shall be in effect in April 2022, as described in the table below:

Prime rate of the Mozambican Financial System (calculated by the BM and the AMB)

Description	Rate
Reference Rate* (calculated by the Banco de Moçambique - BM)	13.30%
Cost Premium (calculated by the AMB)	5.30%
PRIME RATE OF THE MOZAMBIKAN FINANCIAL SYSTEM	18.60%

*The Reference Rate is calculated based on information concerning the period between the 26th of each month to the 25th of the following month.

The Reference Rate is the average rate measured by the volume of Interbank Money Market (IMM) operations with maturity of one business day (overnight maturity), namely (i) monetary policy interest rate operations (MIMO rate), currently set at 13.25%, (ii) repo operations and (iii) liquidity swap operations between commercial banks. The Banco de Moçambique (BM) calculates the Reference Rate every month.

The Cost Premium is the margin representing the risk elements of banking activity not reflected in interbank market operations, which is added to the Reference Rate to make up the Prime Rate of the Mozambican financial system. The AMB calculates the Cost Premium every quarter, using a method that considers the country's rating, the credit default ratio, the cleaned-up credit ratio and the reserve ratio for liabilities in national currency. The Cost Premium herein stems from the AMB's assessment of these factors, as communicated to the Banco de Moçambique through the official letter 17/DIR/AMB/2021, of March 25.

The Prime Rate of the Mozambican financial system is the single benchmark rate for variable interest rate credit operations and results from the sum of the Reference Rate and the Cost Premium. This rate applies to contracted credit operations (new, renewals and renegotiations) between credit institutions and financial companies and their customers, plus a margin (spread), which is added to or subtracted from the Prime Rate, by analyzing the risk of each particular credit category or operation.

The Reference Rate Agreement of the Mozambican banking system sets out to promote greater transparency in fixing variable interest rates in the market and improving the mechanism for conveying monetary policy.

II. Benchmark interest rate spreads

Credit institutions should widely disclose the benchmark credit spread for each credit product category to their customers and public.

The Prime Rate and Credit Spread to be in effect in April 2022 shall be added to each credit product category.

1. Benchmark interest rate spreads of Commercial Banks

Institution	Loans to private individuals		Loans to companies		Leasing of Movable assets	Leasing of Real estate
	Housing	Personal	Short-term loans (up to 1 year)	Long-term loans (over 1 year)		
1. BCI	4.50%	4.50%	4.50%	5.25%	3.00%	4.50%
2. MBIM	1.20%	5.00%	1.30%	1.78%	3.50%	1.20%
3. Standard Bank	1.00%	6.27%	3.31%	3.20%	2.50%	-
4. ABSA	2.75%	10.75%	0.00%	1.00%	5.00%	-
5. Nedbank	2.50%	4.50%	4.50%	2.00%	2.50%	1.50%
6. Moza Banco	5.00%	6.50%	2.00%	3.00%	5.00%	4.50%
7. FNB	2.50%	5.00%	2.00%	2.00%	4.00%	4.00%
8. ABC	4.00%	14.50%	5.00%	5.00%	7.75%	7.75%
9. BNI	-	-	2.00%	4.00%	-	-
10. Société Générale	6.00%	10.00%	4.00%	3.00%	3.00%	3.00%
11. Ecobank	-	10.00%	4.00%	6.00%	-	-
12. BiG	-	-	4.00%	4.50%	-	-
13. First Capital Bank	2.50%	10.00%	0.50%	3.00%	-	-
14. UBA	5.00%	3.00%	4.00%	5.00%	-	-

The spread shown in the table is indicative, as the granting of financing is subject to the internal risk analysis of each bank for measuring the borrower's debt capacity. Each bank reserves the right to apply different additional conditions, depending on the risk profile, business, and credit history and eventual protocols concluded with the client or their institution. The term, the degree of collateral coverage and the business relationship time in all credit categories may vary depending on the risk assessment to be carried out by each bank.

2. Benchmark interest rate spreads of microfinance institutions

Institution	Loans to private individuals							
	Personal							
	6M	12M	24M	36M	48M	60M	72M	84M
1. MyBucks Mozambique MCB, SA	26.10%	26.10%	26.10%	26.10%	25.43%	25.43%	19.70%	N/A
2. MAIS – Microbanco de Apoio aos Investimentos SA	16.40%	16.40%	16.40%	16.40%	16.40%	16.40%	16.40%	N/A
3. Bayport	26.70%	30.18%	24.82%	24.92%	20.75%	16.21%	12.42%	11.69%
4. Banco Letshego	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%	10.10%
5. Socremo	53.40%	53.40%	53.40%	N/A	N/A	N/A	N/A	N/A

Loans to private individuals		Loans to companies		Leasing Movable assets	Leasing Real estate
Institution	Housing	Short-term loans (term up to 1 year)	Long-term loans (term over 1 year)		
MyBucks Mozambique MCB, SA	N/A	23.00%	23.00%	N/A	N/A
MAIS – Microbanco de Apoio aos Investimentos SA	5.83%	4.00%	4.25%	N/A	N/A
Socremo	53.40%	25.40%	17.40%	N/A	N/A

The spread shown in the table above is indicative and fixed for new operations and the standard conditions stated below, as the granting of financing is subject to the internal risk analysis of each bank for measuring the borrower's debt capacity, as well as borrower and operation risk. Each bank reserves the right to apply additional conditions different from these, depending on the risk profile, business, and credit history and eventual protocols concluded with the client or their institution. The term, the degree of collateral coverage and the business relationship time in all credit categories may vary depending on the risk assessment to be carried out by each institution.

III. Standard conditions per credit category

1. Standard conditions of commercial banks

1.1 General conditions applicable to all credit categories:

- The borrower must be a customer of the bank for at least 6 months, with a history of transactions;
- The borrower must have no record of incidents at the Central Credit Register of BM nor incidents with the banking system at the date of the loan application;
- The borrower must submit a blank bill of exchange.

1.2 Specific conditions applicable to each credit category:

a) Loans to private individuals for housing:	- Term: 20 years - Type of collateral: property mortgage, with 120% coverage of the amount to be financed. Property assessment with less than 3 months, carried out by a company acknowledged by the bank; - Borrower life insurance and property insurance; - The amount to be financed may not exceed the maximum permitted debt-to-income ratio of 30% of the borrower's monthly net income.
b) Loans to private individuals for personal use:	- Term: up to 5 years; - The borrower must be an employee of a company under an indefinite-term contract and present a letter from the company confirming his duties, contract and net income; - Life insurance; - The amount to be financed may not exceed the maximum permitted debt-to-income ratio of 30% of the borrower's monthly net income.
c) Short-term loans (up to 1 year) to companies:	- Term: maximum 1 year; - Collateral acceptable to the bank, with minimum coverage of 120% of the desired credit; - Audited accounts for the last 3 years.
d) Long-term loans (over 1 year) to companies:	- Term: up to 7 years (and above 1 year); - Collateral acceptable to the bank, with minimum coverage of 120% of the desired credit; - Audited accounts of the last 3 years or business plan.

e) Leasing of movable assets to private individuals and companies:	i. Term: up to 5 years; ii. Type of collateral: subject of lease; iii. The subject of lease must be presented in new condition, along with a recent assessment of the former carried out by a company acknowledged by the bank must be submitted; iv. The amount to be financed must correspond to a maximum of 90% of the assessed value of the subject of lease; v. After the grant of financing, the property title deed of the subject of lease should fall under the bank's name; vi. Life insurance and the subject of lease
f) Leasing of real estate to private individuals and companies:	i. Term: 20 years ii. Type of collateral: subject of lease; iii. A recent assessment of the subject of lease carried out by a company acknowledged by the bank must be submitted; iv. The amount to be financed must correspond to a maximum of 90% of the assessed value of the subject of lease; v. After the grant of financing, the property title deed of the subject of lease should fall under the bank's name; vi. Insurance of the subject of lease; vii. Life insurance if the borrower is a private individual; viii. Audited accounts of the last 3 years or business plan, in case the borrower is a company.

2. Standard conditions of microfinance institutions

2.1 General conditions applicable to all credit categories:

a) Private individual: the borrower must submit the following documents:

- i) Letter to formalize the financing application, indicating the purpose, term and guarantees.
- ii) Identification document/ foreign resident identification document (DIRE) or passport
- iii) Individual Taxpayer Identification Number (NUIT)
- iv) Certificate of residence.
- v) Income statement from the customer's employer, if applicable, indicating time worked, hiring regime and current salary.
- vi) Evidence of other sources of income (if applicable).
- vii) Information letter on the description and/or relationship of registered goods and income earned for the client and/or guarantor.
- viii) Title of employment (for government employee)
- ix) The borrower must have been a government employee for at least 6 months, or be under contract;
- x) The borrower must have no incidents registered with the Central Credit Register of the Banco de Moçambique nor other unsettled incidents with the banking system at the date of the loan application;
- xi) Attached to the income statement from the customer's employer, indicating the employee's retirement date.

b) Companies: the borrower must submit the following documents:

- i) Formal letter requesting financing, indicating purpose, term and guarantees.
- ii) Bylaws published on the Official Gazette of the Republic, and/or amendments made to company bylaws (all amendments made). Applicable to companies
- iii) A certified photocopy of the commercial registration certificate with a maximum validity of 90 days.
- iv) Individual Taxpayer Identification Number (NUIT);
- v) License or permit.
- vi) Updated financial information, namely:
 - Financial statements for the last 3 (three) financial years (official closing of accounts according to the General Accounting Plan - International Financial Reporting Standards (IFRS));
 - Latest balance sheet (cumulative).
- vii) Bank statements of the institutions for the last 12 months

- c) The borrower (private individual or company) must have no unsettled incidents registered with the Central Credit Register of the Banco de Moçambique nor other incidents with the banking system at the date of the loan application;
- d) The borrower (private individual or company) must present a blank bill of exchange.

2.2 Specific conditions applicable to each credit category:

g) Loans to private individuals for housing:	i. Term: 4 years ii. Type of collateral: property mortgage, with 120% coverage of the amount to be financed. Property assessment with less than 3 months, carried out by a company acknowledged by the institution; iii. Borrower life insurance and multi-risk property insurance; iv. The amount to be financed may not exceed the maximum permitted debt-to-income ratio of 40% of the household's income. v. Hold a salary account and/or other income for at least 3 months.
h) Loans to private individuals for personal use:	i. Term: up to 5 years; ii. The borrower must be an employee of a company under an indefinite-term contract and present a letter from the company confirming his duties, contract and net income; iii. Life insurance; iv. The amount to be financed may not exceed the maximum permitted debt-to-income ratio of 40% of the borrower's monthly net income. v. Collateral acceptable by the institution, with 120% minimum coverage for the intended credit
i) Loan to government employees	i. Minimum term of 6 months and maximum of 84 months. ii. Registration of the monthly installment on the Development Center for Financial Information Systems (CEDSIF)/ State Financial Management System (e-SISTAFE) or other platforms used by the institution. iii. Life insurance. iv. The borrower must be a government employee with a permanent appointment and must submit a letter from the institution confirming thier duties, contract and net income; v. Posting greater than 10 years; vi. Credit insurance; vii. Capacity for installment withholding at the source;
j) Short-term loans (up to 1 year) to companies:	i. Term: maximum 1 year; ii. Collateral acceptable to the institution with 120% minimum coverage for the desired credit; iii. Audited accounts for the last 3 years.
k) Long-term business loan (over 1 year)	i. Term: up to 7 years (and above 1 year); ii. Collateral acceptable to the institution with 120% minimum coverage for the desired credit; iii. Audited accounts for the last 3 years or business plan.
l) Leasing of movable assets to private individuals and companies:	i. Term: up to 5 years; ii. Type of collateral: subject of lease; iii. The subject of lease must be presented in new condition, along with a recent assessment of the former carried out by a company acknowledged by the bank must be submitted; iv. The amount to be financed must correspond to a maximum of 90% of the assessed value of the subject of lease; v. Upon the grant of financing, the ownership of the subject of lease shall be transferred to the institution; vi. Life insurance and subject of lease
m) Leasing of real estate to private individuals and companies:	ix. Term: 20 years x. Type of collateral: subject of lease;

	xi. A recent assessment of the subject of lease carried out by a company acknowledged by the institution must be submitted; xii. The amount to be financed must correspond to a maximum of 90% of the assessed value of the subject of lease; xiii. Upon the grant of financing, the ownership of the subject of lease shall be transferred to the institution; xiv. Insurance of the subject of lease; xv. Life insurance if the borrower is a private individual; xvi. Audited accounts of the last 3 years or business plan, in case the borrower is a company.
--	---

IV. Definition of terms and concepts (meta-information)

1. Private individuals

The private individuals sector comprises customers who are resident legal persons (individuals or groups of individuals), which gather part or all of their income and assets and consume certain types of goods and services.

2. Companies

The business sector comprises all entities (companies) that have been incorporated or registered in one of the commercial forms recognized in the Republic of Mozambique, whose key activity consists in the production of non-financial market goods and services. Besides commercial companies (as defined in the Commercial Code), individual entrepreneurs, associations and non-governmental organizations, political parties and public bodies are included in the business sector.

3. Housing loans

Loan intended for the procurement of new housing, which is understood as being inhabited for the first time, regardless of the date of its construction.

4. Personal loans

Loans granted to private individuals for operations not related to their business and professions and related only to credits used for purchasing goods and/or services consumed specifically by individuals. It includes, for example, credits for the procurement of vehicles, furniture, household appliances, computer equipment and rehabilitation of owned housing.

5. Short-term loans (up to 1 year) to companies

Business loans with maturity of up to 1 year, for the procurement of money supply.

6. Long-term loans (over 1 year) to companies

Loans granted for doing business with maturity of over 1 year for investment.

7. Leasing of movable assets and real estate

Leasing is a loan operation granted to finance long-term investments in fixed assets (e.g. machinery and vehicles, buildings and housing).