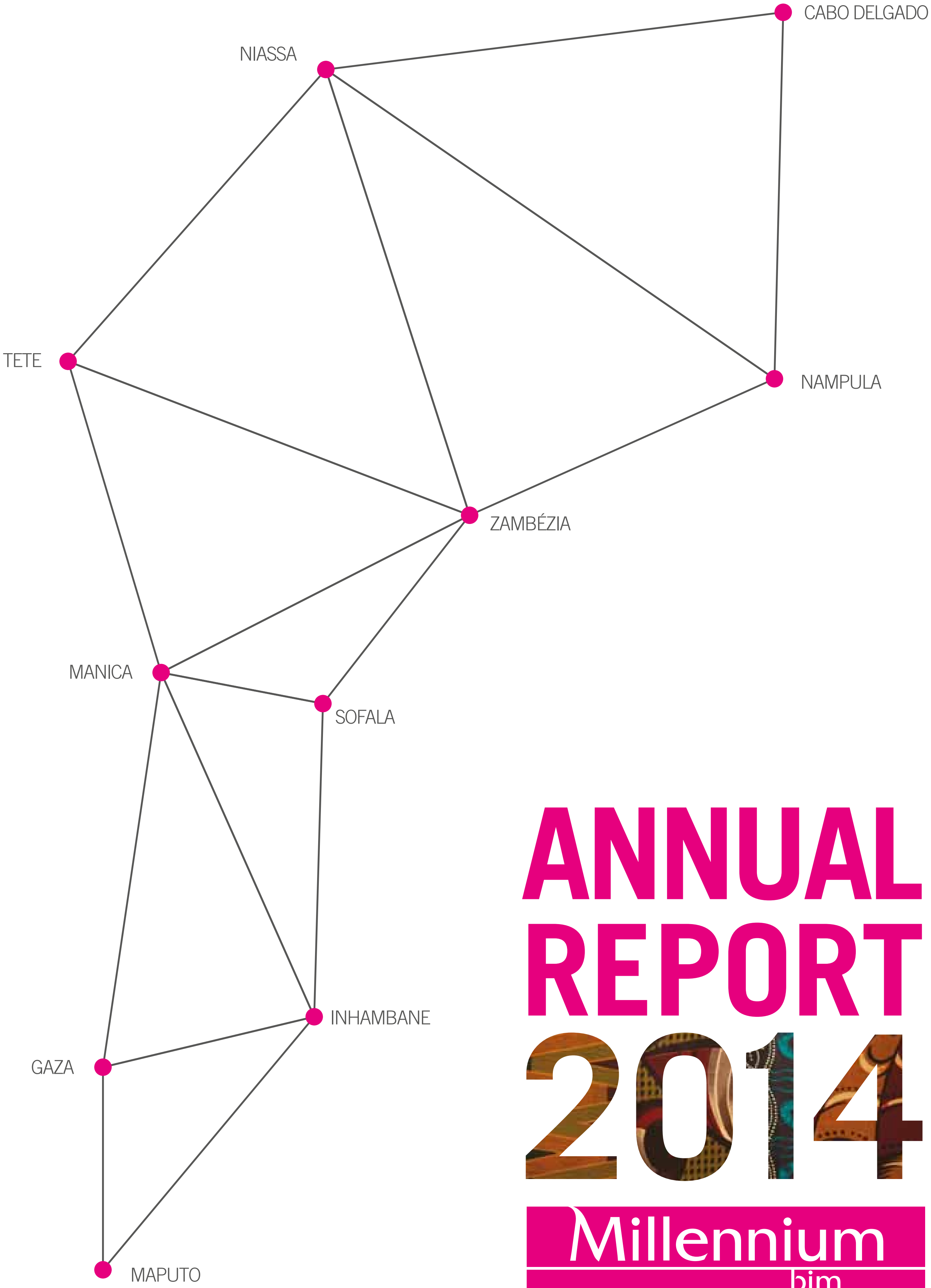

ANNUAL REPORT 2014

Millennium bim

ANNUAL REPORT
MILLENNIUM BIM
2014

Approved by the Board of Directors on 19 February 2015.

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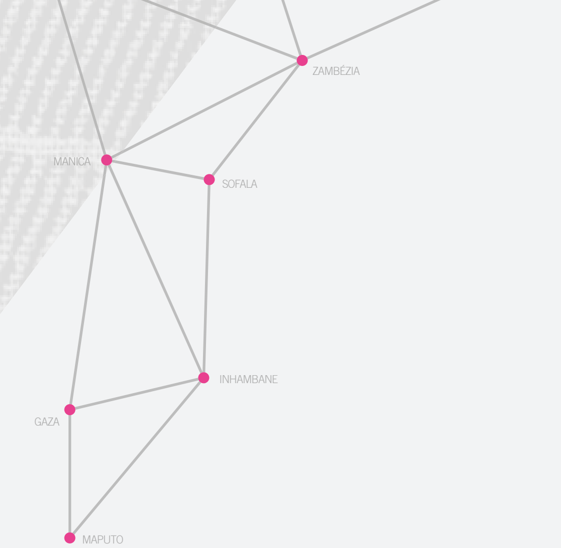
ANNUAL REPORT
2014



CONTENTS

BIM – Banco Internacional de Moçambique, S.A.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

CHAIRMAN'S STATEMENT

After completing its 19th year of activity, we are delighted to see that Millennium bim maintains its leading position in the domestic market, being the only Mozambican bank included in the ranking of 100 largest banks in Africa, according to *The Banker* magazine, now holding the 55th place: 11 places higher than the previous year.

Reflecting the growth dynamics of the national economy, the Mozambican financial market continues to grow strong, being one of the most competitive, dynamic and innovative sectors of the economy. Over the preceding financial year, Millennium bim faced many challenges that forced it to seek new and better solutions to meet the needs of its approximately 1.3 million Customers, with the important contribution of its 2,367 Employees.

This was another year of hard work, with many achievements, challenges and the reaffirmation of the will to continue to be important drivers for the economic growth of Mozambique. We were guided by high management standards and a constant concern in guaranteeing the satisfaction of customer needs.

Millennium bim continues to position itself as the Bank of and for all Mozambicans. Being system leaders, both in terms of results and in contributing to the evolution of the national financial system, we continued the expansion process of the Mass Market and Prestige branch network, we expanded the ATM and POS network and increased our feature offer in the mobile banking service, Millennium IZI. This sustained growth strategy provides greater availability and closer relations between the Bank and its Customers, contributing significantly to the country's banking process.

Loan concession to companies and individuals has been important in supporting both the development of the economy and the Bank's growth. To ensure the good health of the loan portfolio, it was essential to implement responsible and efficient processes for risk assessment and sustainability of operations, reducing default risk while offering depositors the necessary confidence for them to bring us their savings with the assurance that this is a solid and reliable bank.

In 2014, Millennium bim was, once again, distinguished by various national and international institutions with prestigious awards to those who presented the best performances in the banking industry. I would like to highlight the award "Bank of the Year in Mozambique", awarded by *The Banker* magazine for the 9th time, whih is considered to be a world reference of information on financial markets and analyses of the banking sector.

Other awards, also of great prestige to the institution, were those of "Best Bank in Mozambique" of *Emea Finance* of the Exporta Group, "Best Banking Group in Mozambique" of the *World Finance*, "Best Bank in Mozambique" of *Euromoney*, "Best Bank in Mozambique" and "Best Internet Website" for individual customers – these two of the *Global Finance* – and "Superbrand" brand of excellence by *Superbrands* Mozambique.

This public recognition and the holding of the 55th place in the ranking of the 100 largest banks in Africa reflect the strength and quality of the Bank's results, as well as its ability to innovate and implement a sustainable growth strategy that contributes effectively to the economic and social development of Mozambique and to a greater strength of the Mozambican financial system.

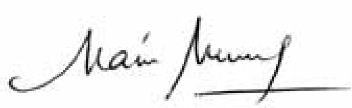
Social Responsibility continued to receive the Bank's full attention. In 2014, its "More Mozambique for Me" programme gave all the more dynamism to its activities, while maintaining the focus of its founding mission: to promote structural and continuity projects that contribute to the well-being of others, especially in the areas of Education, Health, Sports and Culture.

In this regard, we continued with the Millennium bim Mini Basketball Tournament (9th edition), the Millennium bim Race (9th edition), the programme "A Clean City for Me" (8th), the Millennium bim Banking Olympics (5th edition) and the Road Safety Campaign (4th edition), to name but a few.

After this year of activity, we now enter the 20th year of life of Millennium bim. We want it to be a year marked by the strengthening of team spirit, a positive attitude and achievements that make us stand out as the modern and powerful locomotive of the national financial system, while reaching new heights.

With a feeling of accomplishment, on behalf of myself and the Bank's Board of Directors, I thank all our Customers, Shareholders and Authorities for their trust in us and all Employees for the dedication and commitment in their everyday work at Millennium bim.

The task ahead has new and important challenges. However, with the dedication and commitment of our teams and with the confidence of our Customers, we will certainly ensure that in 2015 we will have "More Millennium bim for All".



BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

KEY INDICATORS

Million MZN

	2014	2013	2012	2011	Change % 14/13
BALANCE SHEET					
Total assets	**101,502**	85,428	70,647	60,889	18.8%
Loans to customers (net)	**56,795**	47,921	38,230	34,192	18.5%
Total customer funds	**80,412**	67,623	56,369	48,852	18.9%
Equity and subordinated liabilities	**16,727**	14,414	12,250	10,400	16.1%
PROFITABILITY					
Net operating revenues	**8,820**	8,040	7,459	7,873	9.7%
Operating costs	**4,054**	3,681	3,456	3,102	10.1%
Impairment and provisions	**590**	463	502	716	27.4%
Income taxes	**682**	592	523	639	15.2%
Net income attributable to the Bank's Shareholders	**3,494**	3,303	2,978	3,418	5.8%
Cost to income ratio	**46.0%**	45.8%	46.3%	39.4%	
Return on average equity (ROE)	**23.0%**	25.6%	27.2%	38.8%	
Return on average total assets (ROA)	**4.0%**	4.3%	4.6%	6.0%	
CREDIT QUALITY					
Loans overdue by more than 90 days/Total loans	**2.2%**	1.7%	2.0%	1.5%	
Doubtful loans/Total loans	**2.5%**	1.8%	2.1%	1.7%	
Impairment for loan losses/Overdue loans by more than 90 days	**241.3%**	348.0%	354.0%	479.4%	
Cost of risk	**97 b.p.**	91 b.p.	113 b.p.	208 b.p.	
SOLVENCY (*)					
Tier I	**19.0%**	21.5%	21.5%	17.6%	
Total	**19.0%**	21.4%	21.7%	17.9%	
BRANCHES					
Branches	**166**	157	151	138	5.7%
CUSTOMERS					
Customers (thousand)	**1,306**	1,216	1,173	1,024	7.4%
EMPLOYEES					
Employees	**2,367**	2,329	2,298	2,230	1.6%

(*) Does not include the net income for the year under review.

BOARD OF DIRECTOR'S REPORT SUMMARY

The world economy in 2014 should have recorded a growth of around 3.3%, according to data from the International Monetary Fund, having been stimulated by the maintenance of high growth rates in China, India and in the economies of Sub-Saharan Africa.

The US economy was above the expected behaviour, with a 2.4% increase, driven by the continued, albeit slower, expansionary monetary and fiscal policy that even allowed recording historically low unemployment levels.

China continues to be the engine of global economy, with a growth of 7.4%. This growth was based on the expansion of public consumption through investment in large logistics projects and overall support to productivity of the industrial fabric.

Sub-Saharan Africa, with a growth of 4.8%, maintains its strength despite the depreciation of commodity prices. Private consumption and investment continue to be the main growth vectors.

Regarding 2015, IMF expectations are positive and the current level of economic growth is expected to continue, with a 3.5% forecast. Low oil prices, the recovery of the US economy and the maintenance of a high growth rate in China will be the most relevant economic vectors.

The growth rate of the Mozambican economy is expected to reach 7.4%, according to INE data, maintaining the robustness of this decade, fuelled by foreign direct investment flows and by the development effort of the logistics platforms and infrastructure necessary for the development of megaprojects.

The annual inflation rate registered a positive evolution, from 3.5% in December 2013 to 1.93% in December 2014. This good performance was mainly due to the good agricultural year and the positive performance of the metical against major currencies during most of the year.

In 2014, Banco de Moçambique made a change in the rate of the Permanent Assignment Facility (FPC), reducing it by 75 b.p., 8.25% to 7.5%, and kept the rate of the Deposit Permanent Facility (FPD) unchanged, at 1.5%. The spread between the two main Central Bank reference rates hit a new low of the last 5 years (6%).

The rates of Treasury Bills remained virtually unchanged over the year while liquidity exchange rates among credit institutions fell by 32 b.p. compared to December 2013.

The Bank continued its expansion strategy with the opening of new branches, reaching a total of 166 branches, of which 141 are of the Retail Banking segment. Besides continuing to invest in a more comprehensive attendance that is more attentive to Customers' needs, the Bank continues to make an investment effort to increase financial inclusion of rural populations. In this sense, we proceeded to the expansion of the ATM (440) and POS (6,009) network – a 6% and 20% increase, respectively.

In order to reinforce its leadership, Millennium bim focused on two action plans, namely the segmentation of the customer portfolio and the launch of innovative products and services.

In terms of innovation, Millennium bim continued to bring news to the market with the launch of EMW compliant, debit and credit cards (electronic chip), a process based on the need to strengthen cards' safety, increasing the safety of transactions carried out by our Customers.

Additionally, the Bank launched the "woman solution", an offer consisting of products and services targeted to women's needs that grants them access to a specific Visa Electron card, incorporating a health insurance with coverage for birth expenses, as well as expenses for the treatment of cervical cancer and breast cancer, a "Women's Savings Plan" with access to an automatic credit line, and the "Total SME Solution" package, created to meet the growing needs of Small and Medium Enterprises (SME), in acknowledgement of the crucial role they play in the country's economic and business development.

The Bank continued to improve its service offer in the mobile channel, with a focus on the introduction of new features, such as the option to save "favourite transactions" (IZI) and the increase in sales of credelec vouchers throughout the country, the possibility of full payment of the credit card, the possibility to establish term deposits (IZI Savings) and the enlargement of the sales of Credelec recharges throughout the country. As a result, in 2014, the IZI platform increased the volume of banking transactions in over 60%.

Under the MilleTalent project, created in 2013, new training and incentive programmes were developed and implemented, allowing the involvement of a large number of employees. Internship programmes and scholarships were simultaneously created, thus extending the selection range of young people with the potential to integrate and add value to the Bank.

Millennium bim has awarded several prizes, with special emphasis on the "Bank of the Year" award by the prestigious *The Banker* magazine of the Financial Times, for the 9th year. Other prestigious awards included the "Best Bank in Mozambique" by *Emea Finance*, "Best Banking Group in Mozambique" by *World Finance*, "Best Bank in Mozambique" by *Euromoney*, "Best Bank in Mozambique" and "Best Internet Website" by *Global Finance*, and Superbrand brand of excellence by *Superbrands* Mozambique.

It is also important to highlight the increase in the ranking defined by the *African Business* magazine, holding the 55th place while remaining the only Mozambican bank in the ranking of the 100 largest banks in Africa.

Despite the strong competitive environment, Millennium bim reached in 2014 a consolidated net income of 3,680 million meticais, an increase of 7% over the same period, enabling a return on equity (ROE) of 22.3% and an efficiency ratio of 44.3%.

Customer loans grew by 18% compared to 2013, reaching 59.9 thousand million meticais (1.5 thousand million euros), while Customer funds increased by 19% to 78.2 thousand million meticais (1.96 thousand million euros).

Net interest income increased by 16%, reaching a total of 5,846 million meticais in 2014, against 5,058 million meticais recorded in 2013, derived by the positive effect of the volume of interest bearing assets, particularly granted loans and financial assets available for sale, notwithstanding the negative effect of the decline in the market rate.

The solvency ratio on 31 December 2014 stood at 19.0%, well above the minimum threshold of 8% recommended by Banco de Moçambique.

The net income of Seguradora Internacional de Moçambique in 2014 was 464 million meticais, representing a growth of 16% year-on-year, primarily justified by a reduction in the net loss ratio, by 21.4%, and the growth in revenue in real branches.

The Millennium bim's social responsibility programme, "More Mozambique for Me", is a result of the Bank's commitment to the Mozambican society in supporting, creating and developing ongoing and sustainable projects, always aiming at national coverage. In this sense, Millennium bim continues to support projects in education, sports, water, human rights, environment, besides its support in the accomplishment of the objectives of FEMA (Business Forum for the Environment).

Mário Fernandes da Graça Machungo
Chairman

Miguel Maya Dias Pinheiro
1st Deputy Chairman

Manuel d'Almeida Marecos Duarte
2nd Deputy Chairman

Maria da Conceição Mota S. O. Callé Lucas
Director

António Manuel D. Gomes Ferreira
Director

Teotónio Jaime dos Anjos Comiche
Director

Ricardo David
Director

Rogério Gomes Simões Ferreira
Director

João Manuel R. T. da Cunha Martins
Director

Jorge Octávio Neto dos Santos
Director

Manuel Alfredo de Brito Gamito
Director

SHAREHOLDER STRUCTURE

MZN

Shareholder	31 December 2014		
	Number of shares	% of share capital	Underwritten and paid-up share capital
Millennium BCP Participações, SGPS, Lda.	30,008,460	66.69%	3,000,846,000
State of Mozambique	7,704,747	17.12%	770,474,700
INSS (National Social Security Institute)	2,227,809	4.95%	222,780,900
EMOSE – Empresa Moçambicana de Seguros, SARL	1,866,309	4.15%	186,630,900
FDC (Foundation for the Development of the Community)	487,860	1.08%	48,786,000
Other (*)	2,704,815	6.01%	270,481,500
TOTAL	45,000,000	100.00%	4,500,000,000

(*) Other – 1,700 investors, with individual stakes of less than 1%, acquired under the process of sale of State shares to the Employees.

GOVERNING BODIES

BOARD OF THE GENERAL MEETING

Chairman	Esperança Alfredo Samuel Machavela
Deputy-Chairman	Flávio Prazeres Lopes Menete
Secretary	Horácio de Barros Chimene

SUPERVISORY BOARD

Chairman	António de Almeida
Member	Eulália Mário Madime
Member	Daniel Filipe Gabriel Tembe
Alternate Member	Maria Iolanda Wane

BOARD OF DIRECTORS

Chairman	Mário Fernandes da Graça Machungo
1st Deputy Chairman	Miguel Maya Dias Pinheiro
2nd Deputy Chairman	Manuel d'Almeida Marecos Duarte
Director	Maria da Conceição Mota S. O. Callé Lucas
Director	António Manuel Duarte Gomes Ferreira
Director	Teotónio Jaime dos Anjos Comiche
Director	Ricardo David
Director	Rogério Gomes Simões Ferreira
Director	João Manuel R.T. da Cunha Martins
Director	Jorge Octávio Neto dos Santos
Director	Manuel Alfredo de Brito Gamito

ECONOMIC ENVIRONMENT

ANNUAL REPORT 2014

ECONOMIC ENVIRONMENT

1. WORLD ECONOMY

The global growth forecast for 2014 should be around 3.3%, according to the projections of the International Monetary Fund, thus maintaining the 2013 record.

Throughout the year, we have witnessed a growth of systemic risks associated with the widening of regional geopolitical tensions and low commodity prices, putting pressure on the emerging economies highly dependent on mineral and energy resources and relegating them to a more modest growth.

Despite normalisation of the expansionary monetary policy, the USA maintained a policy to support economic recovery, recording growth above the expected, despite major difficulties with exports due to the strengthening of the dollar.

Emerging economies showed growth at two paces. Within the BRICS, China and India all showed a rapid growth rate. Russia, due to regional conflicts, economic sanctions and decline of the rouble, Brazil, due to the growing public debt and the decline of oil prices, and South Africa, due to the decline of commodity prices, showed a reasonable but substantially lower growth.

Sub-Saharan Africa continued to have a high growth rate (4.8%), driven by the export of raw materials, despite the slowdown in demand for some commodities and the decline of revenues due to lower prices. Private consumption and investment have been the growth drivers, showing focus on development.

The expectations for 2015 are positive and an overall economic growth of 3.5% is expected, benefiting from the reduction in oil prices. The US will continue its strong recovery, leveraging the end of energy dependence with the growth of shale gas. The Eurozone should continue its recovery (1.2%), but the danger of deflation is still a reality. China should continue to be the engine of the global economy, with growth forecasts around 6.8%.

TABLE 1 – GDP GROWTH RATE

Group/Countries	2010	2011	2012	2013	2014 E	2015 P
World Economy	5.4	4.1	3.4	3.3	3.3	3.5
USA	2.5	1.6	2.3	2.2	2.4	3.6
Eurozone	1.9	1.6	-0.7	-0.5	0.8	1.2
China	10.4	9.3	7.7	7.8	7.4	6.8
Brazil	7.5	2.7	1.0	2.5	0.1	0.3
Sub-Saharan Africa	6.9	5.1	4.4	5.2	4.8	4.9

Source: FMI, WEO Oct 2014, WEO update Jan 2015.

UNITED STATES OF AMERICA

A real GDP growth of 2.4% (IMF data) is estimated, above the 2.2% of 2013, reflecting a strong second semester for the US economy, driven by increased investment and private consumption.

Economic growth takes place in a low and stable inflation scenario (2.0%) and a gradual normalization of the expansionary monetary and fiscal policy, leveraged by the unemployment rate, which dropped to the pre-crisis levels of August 2008 (6.1%).

For the year 2015, we expect GDP growth to accelerate to 3.6%, with domestic demand sustaining growth through productivity increases combined with lower costs resulting from the sharp decline in oil and commodity prices, an effect that is only reduced by the potential drop in exports caused by the strengthening of the USD.

CHINA

GDP growth in 2014 should stand at 7.4%, remaining strong, despite a slight slowdown compared to 2013 (7.8%) which results from the decline in domestic demand.

This growth is supported by increases in public spending, especially in large infrastructure and social housing projects, widespread support for SME, productivity and exports, as well as a slight gross growth in current account.

For 2015, we expect a decrease in the growth rate, to 6.8%. The decline in domestic demand and the rising concerns about speculation in the real estate market are putting pressure on investment (declining since the third quarter of 2014). On the other hand, inflation is expected to remain stable at 2.5%, while the surplus trade balance shall maintain levels of only 1.8%, a historically low value.

EUROZONE

In 2014, the growth prospects of the Eurozone were confirmed, with a GDP growth of 0.8%. Despite remaining low, it is a small sign of recovery.

However, the Eurozone maintains a two-speed recovery, with the peripheral economies maintaining programmes for budget balance and recovery of external accounts, while the central economies experience a more robust growth, such as Germany (1.5%).

2015 is expected to be a challenging year. Europe is in a geopolitical tension situation, with strong sanctions to Russia, which may destabilise the economic relationship between East and West. The menace of deflation continues, with consumer confidence still at relatively low levels and private consumption not registering any growth.

Even so, a slight acceleration in economic activity is expected, with a GDP growth of around 1.2%, benefiting from the decline of oil prices and an expansionary monetary policy.

SUB-SAHARAN AFRICA

Sub-Saharan Africa is expected to grow 4.8% in 2014, below the 5.2% recorded in 2013, due to the depreciation of commodity prices. Despite this decline, the region will continue to have some of the countries with the highest growth worldwide, such as the Democratic Republic of Congo (8.6%), the Ivory Coast (8.5%), Ethiopia (8.2%), Mozambique (7.4%) and Kenya (7.2%).

Growth in 2014 kept high due to a rise of aggregate demand, both from investment and from private consumption. Likewise, government motivation for strengthening and restructuring logistics platforms and infrastructure has reflected on higher levels of public consumption. However, the reverse of these policies has been the penalty of the tax situation with the increase in public debt, especially in low-income economies.

The necessary budgetary and fiscal adjustment has not yet taken place in most of these economies, maintaining situations of budget deficits and negative positions in the current balance (-2.6% for Sub-Saharan Africa), with the exception of the main oil-exporting countries – Angola (4.1%) and Nigeria (3.7%).

For 2015, the most optimistic forecasts are of maintaining growth at 4.9%, despite the economic risks. On the one hand, the effect of the Ebola virus in Equatorial Africa is limiting the economic performance of these countries, besides stagnating international trade in the region. On the other hand, the recent decline in oil prices (-60%) and more generally of all commodity prices, including coal, mainly caused by a reduction in demand in the US and China, can put pressure on the growth of the economies in the region, heavily dependent on the export of these products and the FDI from major projects related to hydrocarbon exploration.

SOUTH AFRICA

In 2014, the performance of the South African economy was disappointing. The continuous strikes in major industries in the country, growing unemployment resulting from the lack of confidence of investors and investment decline in the country, as well as problems of production and distribution of electricity that have generated constant and prolonged blackouts, highly detrimental to national productivity, led to the country's growth of 1.4%, one of the weakest in Sub-Saharan Africa. The strengthening of competitiveness in international markets through the depreciation of the rand has only generated a relative effect in a much needed adjustment of the trade balance, which in 2014 registered a -5.7% GDP deficit.

Inflation should have risen to 6.3% (5.8% in 2013), resulting from the depreciation of the ZAR and increased costs of imports, particularly energy goods.

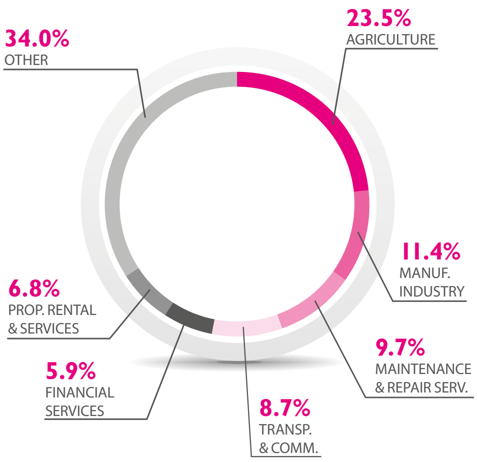
South Africa is expected to increase its growth in 2015, returning to 2.1% due to the potential effect of low oil prices. However, the risks are still high due to South Africa's dependence on the export of raw materials, with prices at a low, as well as its dependence on European economies (the main destinations of South African exports), with adjustments in the trade balance and decrease in imports.

2. MOZAMBICAN ECONOMY

According to information from the National Institute of Statistics, GDP growth in the first nine months of 2014 stood at 7.4%, in annual terms, in line with the review of IMF projections that indicate a potential growth of 7.5%.

SECTORIAL CONTRIBUTION

GDP (3Q of 2014)



Economic growth remains robust, led by increases in the mining industry, construction, agriculture and financial services, as well as by the expansion of public and private consumption, remaining above the average for Sub-Saharan Africa. Even so, growth forecasts were reviewed during 2014, below 8.3%, due to the difficulties of incorporating revenue from coal exploration projects, which maintain export volumes relatively low due to logistics infrastructure constraints.

In the first nine months of the year, the secondary sector was the largest contributor with a year-on-year growth of 10.8%, especially for the manufacturing industry, with a growth of around 15%. The primary sector grew by 6.6% and the services sector grew 8.3%.

Highlight also to the growth of the financial sector (13.7%), which stood out the most in terms of services.

The sector that continues to represent a greater weight in the Mozambican economy is the agricultural sector (23.5%), which has even increased its weight when compared to the same period of the previous year (22%).

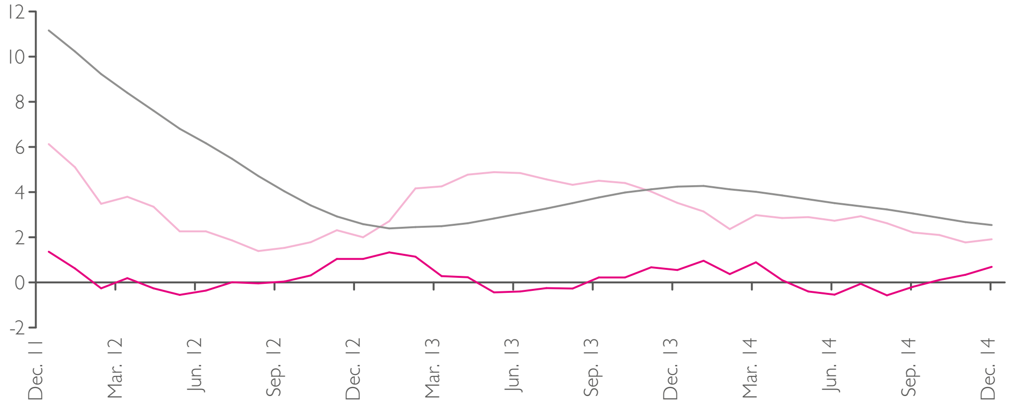
For 2015, the prospects for economic growth remain high, with a potential decrease of the fuel bill, due to the decline of oil prices, although the depreciation of the metical against the dollar, recorded in late 2014, counterbalances the effect. Foreign investment is expected to remain strong, along with the focus on the extractive industries.

INFLATION

The general price index had a positive development, with the year-on-year inflation rate declining to 1.93%, a value below the one recorded in the same period in 2013, which ended with 3.5%, and with the average inflation rate decreasing from 4.3% in January to 2.6% in December 2014. The relief of inflationary pressure occurred particularly in the category of clothing products, housing, water and electricity, as well as in the retraction of prices in terms of furniture, communications and leisure.

The favourable performance of inflation was mainly due to the maintenance of tariff prices, to an increase in local food production, replacing imports, and to the decline of commodity prices during 2014.

In 2015, inflation is expected to maintain its level, largely due to a decreased fuel import bill. Another relevant factor will be the evolution of the metical against the dollar and the rand. Exchange rate stability is very positively reflected on price performance, since the import of basic goods is still high.



Source: INE

Macroeconomic Indicators	2009	2010	2011	2012	2013	2014 E
Real GDP (annual change)	6.30%	7.20%	7.30%	7.50%	7.40%	7.0%
Inflation (average change)(1)	3.4%	12.7%	8.4%	2.9%	4.2%	4.1%
Money supply (annual change)(2)	32.6%	29.3%	6.4%	18.3%	21.5%	21.5%
Current trade balance (% GDP)(3)	-10.5%	-11.7%	-24.3%	-36.5%	-37.7%	-39.4%
Budget balance (% of GDP)(3)	-5.4%	-4.3%	-5.3%	-4.2%	-2.8%	-10.6%
MZN/USD rate at the end of the period	29.2	32.8	27.1	29.8	30.1	33.6
MZN/USD exchange rate % change	22.5%	12.3%	-17.4%	10.0%	1.0%	11.6%
MZN/ZAR rate at the end of the period	3.96	5.03	3.40	3.50	2.90	2.90
MZN/ZAR exchange rate % change	13.1%	27.0%	-32.4%	2.9%	-17%	0.0%

Notes: E – estimates, except exchange rate (Mbim) and inflation (INE); 1) Updated pursuant to IMF/Government Country Report 15/12 (2010-2014); 3) *Ibidem*, after donations.

PUBLIC ACCOUNTS

According to IMF forecasts, in its joint report with the Government, year-on-year there should be a 14% increase in revenues, against a nominal increase of expenditure by 34%, resulting in a budget deficit of 8.1% before donations (2.8% after donations).

On the revenue side, the expansion of the tax base was very positive, assisted by the growth of economic activity.

On the expenditure side, it was mainly influenced by the increase in operating expenses, with staff costs (51%), as well as goods and services (22%).

Regarding the funding of the deficit, data from the first semester pointed to 43% being covered by donations, 51% by external sources and 6% by domestic credit.

	Weight in GDP		
	2013	2014 P	% change (net values)
Revenue	26.90%	27.30%	14%
Expenditure	34.90%	41.90%	34%
Balance	-8.10%	-14.50%	-201%
Donations	5.30%	4.00%	-16%
Balance after donations	-2.80%	-10.50%	-425%

Source: Banco de Moçambique and FMI/Government country report 15/12.

EXTERNAL BALANCE

Current balance is expected to reach 48.5% in 2014, according to IMF forecasts, exacerbating the external position of the economy compared to 2013 (39.5%).

During the first semester of 2014, the current account deficit should have fallen about 15% due to a decline in imports (-7.5%), in line with the slowdown in investment. At the same time, export revenues fell 8.4%.

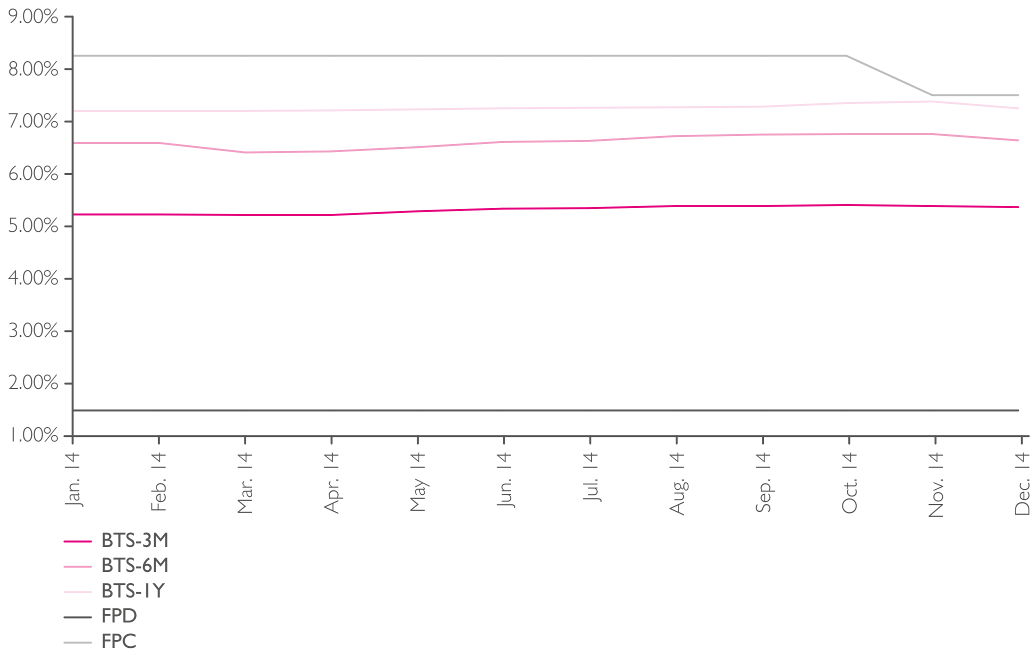
On the export side, the reduction was pressed by the decline of commodity prices, including coal and aluminium. On the import side, the decline was due to the good agricultural year and also to the decline in commodity prices, especially energy products.

3. MOZAMBICAN FINANCIAL SYSTEM

In 2014, Banco de Moçambique made a change in the rate of the Permanent Assignment Facility (FPC), reducing it by 75 b.p., 8.25 to 7.5, and kept the rate of the Deposit Permanent Facility (FPD) unchanged, at 1.50%.

Thus, the spread between the two main reference rates of the Central Bank continued to tighten up and hit a new low in the last 5 years, of 6 percentage points (p.p.). The balance of the monetary base, operating variable of monetary policy, stood at 56,969 million meticais, a value above the target set at 1,670 million meticais (3%), largely a due to the dynamics of the economic activity in Mozambique. Still, inflation remained at a low and controlled level as a result of the price decline of some goods in international markets, a good agricultural year and the relative stability of the metical in foreign exchange market throughout most of the year.

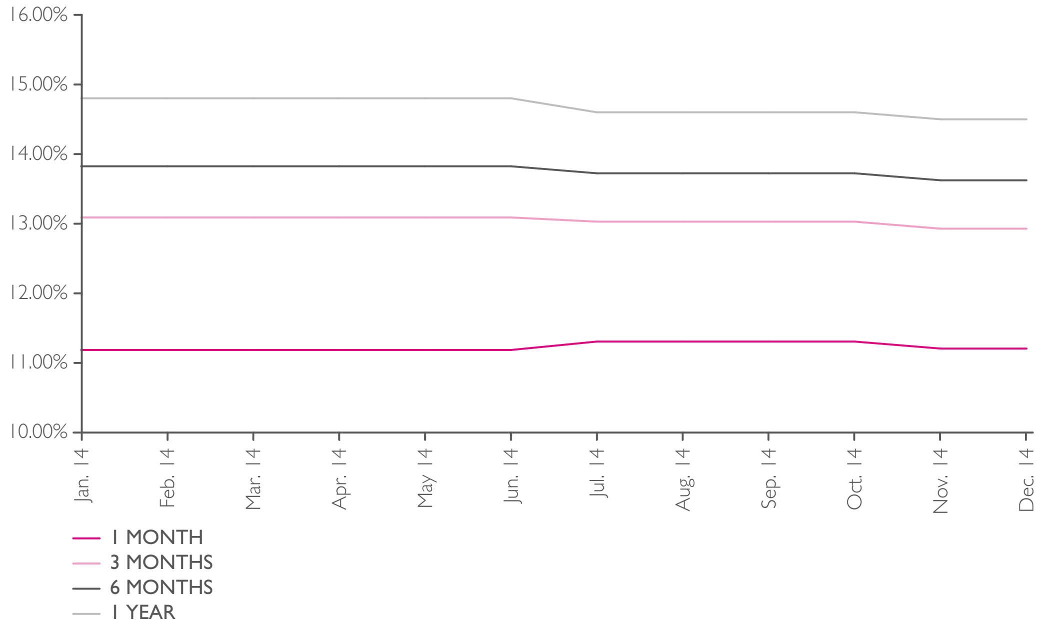
REFERENCE RATES 2014



Maibor (Maputo Inter Bank Offer Rate) rates did not record major changes over 2014, suffering a slight decrease after a reduction in FPC, already in the last quarter, with the possibility of this trend growing even stronger in early 2015.

The Required Reserve rate remained unchanged throughout 2014, *i.e.* at 8%.

MAIBOR EVOLUTION 2014

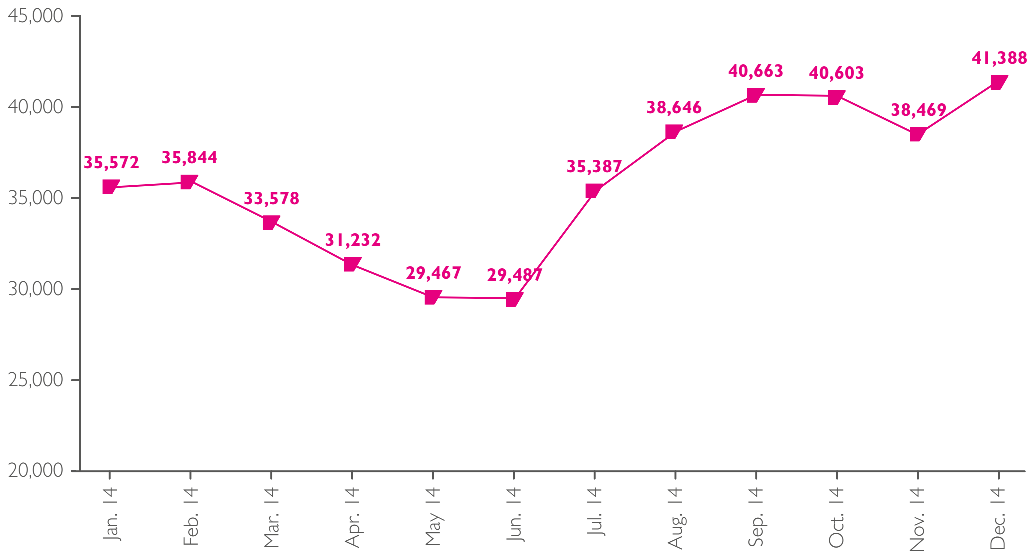


Compared to the same period in 2013, Treasury Bill rates remained virtually unchanged, with the exception of the 91-day maturity rate, which increased by 14 b.p. Liquidity exchange rates among credit institutions fell by 32 b.p. compared to December 2013.

Evolution interest rates in the IMM			
	Dec.13	**Dec.14**	Change
91 days	5.23%	**5.37%**	0.14% ↑
182 days	6.60%	**6.64%**	0.04% ↑
364 days	7.20%	**7.25%**	0.05% ↑
Swaps	3.43%	**3.11%**	-0.32% ↓
FPD	1.50%	**1.50%**	0.00% →
FPC	8.25%	**7.50%**	-0.75% ↓

LIQUIDITY OF THE SYSTEM

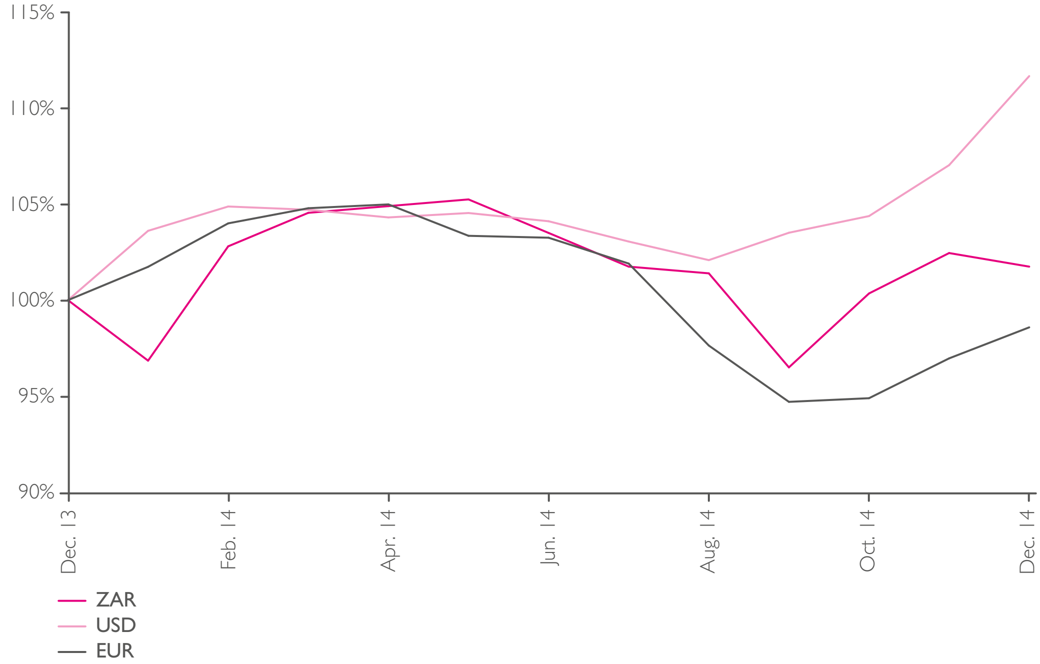
(thousand MNZ)



During 2014, the State issued 5,193 million meticais in Treasury Bonds with 3 and 4 year maturity. The rate of these issues varied between 9.875% and 10.75%.

2014 was marked by the relative stability of the metical compared to the main international currencies during most of the year. At the beginning of the last quarter, particularly from November onwards, market conditions changed and the metical devalued compared to the USD, ending the year with a 11.7% depreciation compared to that currency. By the end of 2014, the USD/MZN rate was at 33.60 compared to 30.08. the year before

EVOLUTION OF THE MAIN CURRENCIES/MZN

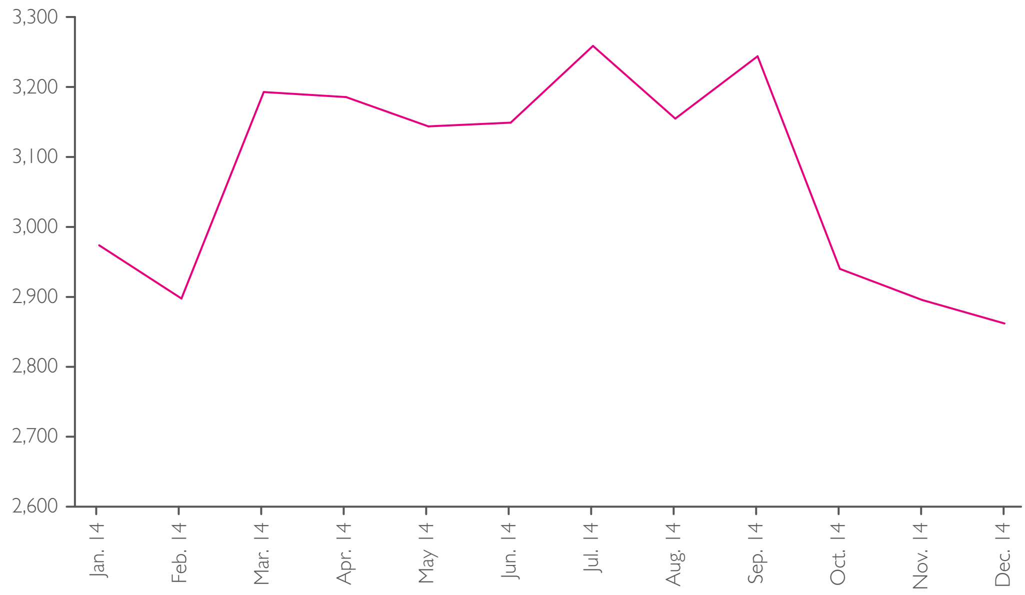


The above graph illustrates the exchange rate variations of the metical compared to the main currencies traded in the Mozambican financial system.

The balance of net international reserves in 2014 was 2,861.5 million USD, slightly less than in December 2013 (USD 2,912 million). In terms of gross international reserves, this balance is equivalent to a 4 month coverage of non-factorial goods and services' imports, excluding transactions of major projects.

EVOLUTION OF THE BALANCE OF LIQUID INTERNATIONAL RESERVES 2014

(million USD)

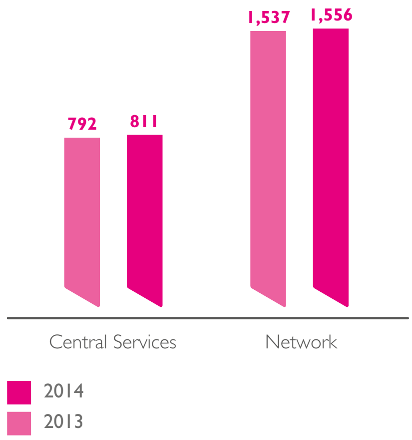


ACTIVITIES OF MILLENNIUM BIM

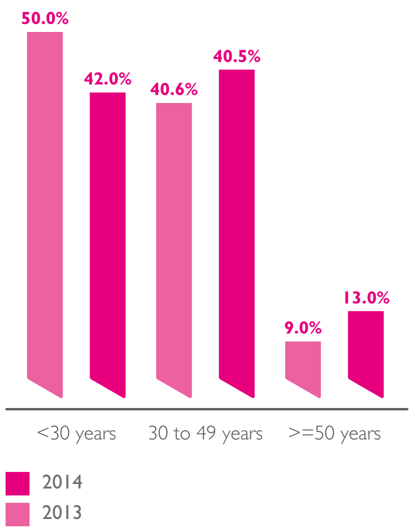
ANNUAL REPORT
2014

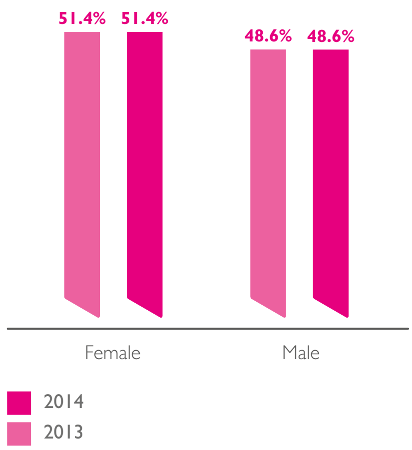
EMPLOYEES

Number of Employees by area of activity



Distribution by age group and gender





At Millennium bim, Employees have a key role both in the growth of the organisation and in their personal and professional growth, developing a culture aligned with its values. In this perspective, in 2014 the Bank continued to develop and implement measures and methods aimed at achieving these objectives.

STRATEGIC INITIATIVES

In a perspective of constant supervision of its Employees, in 2014 Millennium bim continued to create and implement programmes of development, training and specialisation for its staff, allowing individual valorisation while raising its Employees' skills.

On the other hand, and bearing in mind the growing demand of the financial market, the focus on competitiveness, innovation and dynamism of its Employees, and the recognised need for the existence of qualified staff with profiles that are appropriate to the functions, particular emphasis was given to the Recruitment and Selection process, with differentiated and diversified selection methods and practices, allowing greater accuracy and effectiveness in the results. Internship and scholarship programmes were simultaneously created, thus widening the range of selection of young people with the potential to integrate and add value to the Bank.

Under the MilleTalent project, created in 2013, new training and incentive programmes were developed and implemented, allowing the involvement of a large number of Employees, thus being able to successfully train, motivate and supervise their careers and simultaneously enrich the knowledge and quality of the Bank's staff.

MANAGEMENT OF PEOPLE AND TRAINING

In order to respond to the defined objectives, aligned with the Organisation's objectives and strategy, drawing, valuing, developing and generating opportunities, in 2014 Millennium bim continued its career management and supervision policy for its Employees.

Supported by the Bank's growth, as well as by the need to fill vacancies of Employees who left for the most diverse reasons, Millennium bim strengthened its staff, having recruited 171 new Employees, reaching 2,367 Employees by the end of the year.

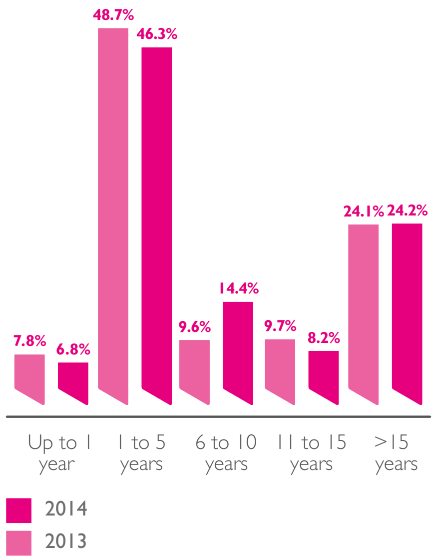
As at 31 December 2014, the distribution of Employees among Networks and Central Services was approximately 66% and 34%, respectively, keeping the distribution in line with the previous year.

Assessment, recognition, training and motivation are some of the key success factors. In the annual assessment and counselling process of its staff, 2,309 Employees were assessed from a total of 2,320, the equivalent to a realisation level of 99.5%.

The Bank's permanent concern with training and the qualification level of its Employees' knowledge promoted a significant increase in training compared to the previous year, from 38,194 hours to a total of 51,732 hours in 2014, involving a total of 1,932 Employees.

Being attentive to the constant improvement needs in the Management and Supervision of human potential, the Bank developed and approved an internal plan with actions aiming to improve the Employee satisfaction and motivation, which will be implemented in 2015.

Distribution by seniority



HEALTH

A constant concern for people has always been a pillar of Millennium bim's management. The personal and family life of each Employee is encouraged and seen as an integral part of the Bank, for we believe that this balance is critical to success. Thus, in 2014 Millennium bim continued to work on the enrichment and extension of measures and processes to effectively satisfy these needs.

In terms of health, new agreements with health service providers were made, thus extending the provision of medical and social services to Employees and their families, safeguarding and ensuring the required quality and giving coverage to the needs of each region of the country.

In terms of safety at work, contacts were initiated with service providers to try to make agreements that allow Millennium bim and its Employees not only to ensure compliance with the law, but also to help and contribute to the continuous improvement of these conditions.

MILLENNIUM NETWORK IN MOZAMBIQUE

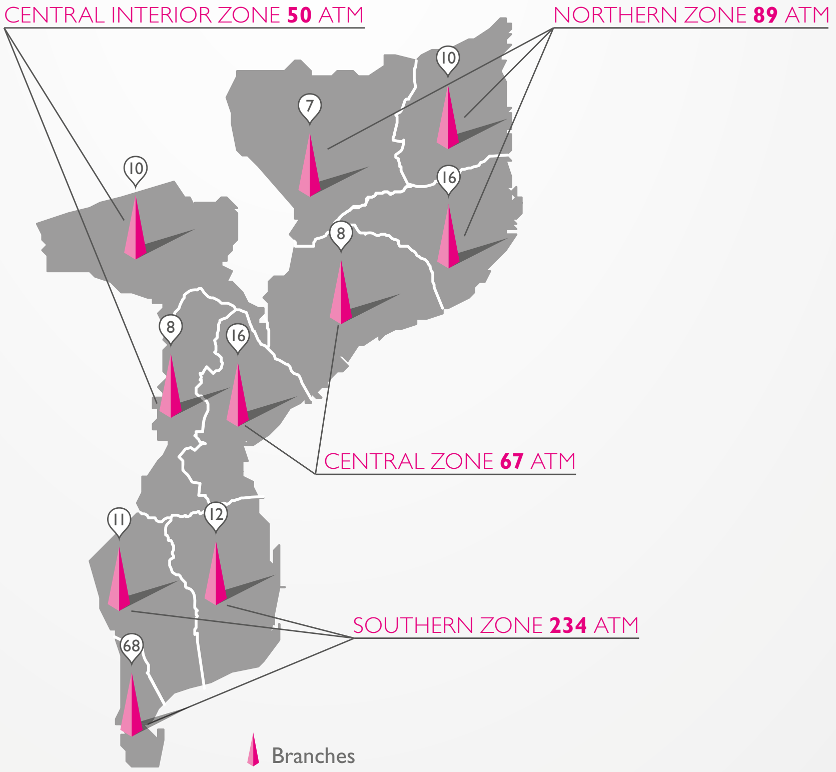
BRANCHES NETWORK

NUMBER OF BRANCHES BY ZONE

	2014	2013	2012	Change% 14/13
Northern Zone	**33**	29	26	13.8%
Central Interior Zone	**18**	17	16	5.9%
Central Zone	**24**	24	24	0.0%
Southern Zone	**91**	87	85	4.6%
	166	**157**	**151**	**5.7%**

ATM NETWORK

PRESENCE IN THE PROVINCES



BUSINESS AREAS' REVIEW

In 2014, the Bank kept its strategy focused on strengthening its value proposition and Customer base segmentation. This targeted approach involved the restructuring and resizing of commercial areas to improve service levels and to properly treat Customers with different needs.

In parallel, the launch of innovative products and services, as well as the expansion of the branch network, strongly contributed to strengthening another major line of activity of the Bank – the strong contribution to financial inclusion in Mozambique.

INNOVATION IN 2014

In 2014, the most current international safety practices were adopted in order to enhance cards' safety, more precisely the introduction of an electronic chip in payment cards, thus increasing the safety of transactions made by Customers.

The Bank launched the "woman solution", an offer consisting of products and services targeted to women's needs, with a specific Visa Electron card, incorporating a Health Insurance with coverage for birth expenses, as well as expenses for the treatment of cervical cancer and breast cancer, a "Woman Saving Plan" with access to an automatic credit line.

Created to meet the growing needs of Small and Medium Enterprises (SME) and in recognition of the crucial role they play in the country's economic and business development, the Bank launched the Total SME Solution, consisting of a wide range of financial products and services covering the day-to-day management of the company, namely the support to Investment, issue of Bank Guarantees, Short-term Financing, support to International Trade, as well as Payment Solutions and Collections. This solution strengthens the involvement of the current base of Customers and Companies and potentiates the attraction of new SMEs.

The mobile banking service, Millennium IZI, was given new features, thus increasing the use of the mobile channel by Customers, and facilitating access to services and products of the Bank with emphasis on the convenience and universality of the service. Besides making Millennium IZI available on all national mobile operators, several features were made available, such as the creation of "favourites", the option to change the menu language, early full payment of the credit card, as well as the possibility to establish term deposits (IZI Savings), a term product that promotes the creation of micro-savings. Also as part of the savings, the "Let's add up" deposit was launched: a term deposit, in local currency, with increasing quarterly interest, available for individual Customers.

After making Credelec available for purchase at Millennium IZI and ATM last year, our Customers may now buy prepaid electricity using the Internet Banking, thus reinforcing service proximity and convenience.

BUSINESS SEGMENT ACTIVITIES

RETAIL BANKING

In 2014, the Bank continued its commercial network expansion strategy with the opening of new branches, reaching 166 by the end of the year. Since retail banking is a strong business component of Millennium bim, the strategy of opening new branches across the country is an important factor to promote proximity between the company and the unbanked, relieving congestion at existing branches.

The Bank continued the decentralisation strategy of Commercial Coordination Departments, with the creation of the Central Interior Coordination Department, which allowed the permanent presence, in the provinces of Manica and Tete, of management staff in charge of coordination of branches and commercial potentiation, thereby ensuring a greater proximity to Customers and an operating efficiency gain in the treatment of transactions.

The mobile banking platform Millennium IZI, launched in 2013, allowed a much broader acess to the channel. In 2014, the Bank continued to improve its service offer in Millennium IZI, which contributed significantly to the 60% growth of transactions in this channel, reaching 4.2 million monthly transactions at the end of the year.

PRESTIGE

By opening two branches in the province of Niassa, the Prestige Network (Individuals and Companies) now has personalised service branches in all provinces. The Prestige Network, launched in 2012, has provided personalised customer care and service of excellence to an increasing number of Customers. The Prestige locations, dedicated to the most sophisticated Customers, have a distinctive design and aesthetics, focused on the comfort and convenience of customer care. The Prestige Network favours not only a personalised service with dedicated Customer Managers, but also a series of exclusive advantages that include debit and credit cards, an insurance offer, internet banking and mobile solutions.

The high number of new Customers over 2014 and the turnover growth confirms the appropriateness of the implemented strategy.

CORPORATE

In 2014, the Bank reorganised its corporate network, to become present in the cities of Maputo, Beira, Nampula and Nacala. Such reorganisation ensured a distribution of relationship managers customer portfolios, to assure specialization by business sectors, as well as to allow managers to focus on business, with an increased number of visits to Customers.

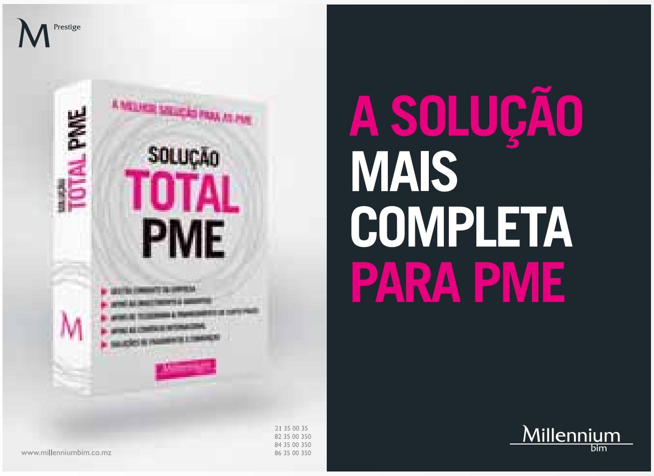
Technical and behavioural training was also developed to improve the performance and service provided to Customers.

The Bank created a team especially dedicated to the Trade Finance business, so as to support and promote this important business area, accompanying Customers in operations relating to international trade, where the Bank is a benchmark in the sector.

For the last year, the Corporate Sales team played an important role in identifying and pitching deals related to some of the most important projects in the country, which allowed the Bank to assert itself as a key financial partner among large companies in Mozambique.

2014 LAUNCHES

DEPÓSITO TÁ SOMAR



SOLUÇÃO TOTAL PME

CARTÃO DE CRÉDITO PRESTIGE GOLD

SOLUÇÃO MULHER

BANKING SERVICES

ELECTRONIC BANKING

In 2014, Millennium bim maintained the expansion of the ATM and POS network, having introduced 24 new ATM and another 1,005 new POS, representing a 6% and 20% increase, respectively. The volume of transactions in the Millennium bim network reached 83 million, 12% more than the volume recorded for the same period in the previous year.

Several initiatives for business promotion and service improvement were also developed:

- The integration process into SIMO's network started, with the installation of 6 Millennium bim ATM;
- To ensure a continuous improvement in the quality and reliability of the POS service, the commercial supervision of shopkeepers with POS was reinforced, as well as the corresponding technical assistance, complementing it with significant improvements in the software of POS machines;
- The magenta POS was released, allowing Millennium bim to stand out from the market;
- The growing dynamism of the POS business culminated in two Happy Holidays campaigns, which occurred during the new year's festivities, in large supermarkets in Maputo, so as to encourage Customers to use the Millennium bim POS when shopping.

OPERATIONS AND INFORMATION SYSTEMS

Technological innovation and improvement of processes and information systems is one of the permanent concerns of Millennium bim, in order to offer an excellent service to its internal and external Customers, in close alignment with the most modern IT practices and quality standards. In 2014, there was great activity in this area, with particular emphasis to the following developments:

- Availability of IZI 2.0 solution. Following the success that IZI had in its first version, its development was proposed so as to improve this service in various aspects. Throughout the year, several improvements were introduced for a more complete service, simple to use and more attractive for our Customers;
- PCI/DSS project. Among several changes, this project involved adjustments in terms of working methods, both in standards and in service orders, as well as in the way some applications were built. Similarly, and given PCI/DSS requirements, there was an upgrade to the card application. And so the Bank's main card application became conformant with PCI/DSS 2.0 requirements;

- Basel II Project for collateral. In 2014, several changes were made to the collateral component in our central system, which is now compatible with Basel II and the new Banco de Moçambique requirements;
- Revamping credit workflows. This development aims at a modernisation of the credit workflows, increasing its ease of use, as well as changes to the flow level, according to Basel II recommendations;
- Internet banking (Millenet). This solution, developed together with Millennium bcp is already fully implemented and, in 2014, significant improvements have been made, such as the acquisition of Credelec.
- Phase 2 of Milleteller Project. This project aims at introducing improvements in the cash application, improving Customer service, response times to requests for remote authorization, fraud prevention and the release of workload from its users;
- POS Ingenico. This project allowed the Bank to have two POS alternatives available for shopkeepers;
- Access to IZI was added via Movitel, a mobile phone network;
- Revamping project for Customer information (CIF). This development has basic technical components for the adequacy of our central system to future solutions already available in other regions of the Millennium group;
- Housekeeping of Applications. Regular process of validating the appropriateness of critical applications according to analysis criteria, such as the existence and performing of backups, expurgation and reorganisations, their capacity to recover and the update of hardware and software versions that support it;
- IT Academy. The process was implemented with the support of an external entity that recruited new elements and gave them practical training, using the implementation of projects assigned to Millennium bim. With this action, it was possible to increase the available resources, with training and supervision by specialists. This increase of resources allows us to face new challenges, with a significant reduction in time to market;
- Other applications key to business support have had significant upgrades, such as: SPC, several credit workflows, applications that serve SIM, interfaces and improvements in internal control.

RISK OFFICE

RISK MANAGEMENT

In 2014, Millennium bim continued with the consolidation process of its Risk Management System, fine-tuning and strengthening the activities and infrastructures dedicated to the management and control of the different risks during the development of the activity, as well as the reporting mechanisms which guarantee the measuring of the risk levels incurred, thus developing improvements in the field of control, highlighting the adaptation of the Bank's risk management framework to risk management guidelines (04GBM2013 Notice, of 18 September) and other legislation related to the Basel II implementation process, in place in the Mozambican financial system since January 2014.

The main activities and interventions, in the context of risk management, as well as the implementation of relevant actions of the Bank's Risk Management System, were:

i. Development and adaptation of the risk calculation and measurement procedures, in order to comply with Basel II requirements, with the introduction of new mechanisms and instruments for the management of credit, liquidity, interest rate and operating risk, in line with the law published by the Banco de Moçambique;
ii. Improvements to the internal reporting on key risks of the Bank's activity, so as to ensure the alignment of methodologies and content of the reports with the Bank's management bodies and with the requirements of the regulatory entity of the Mozambican financial system;
iii. Active participation in the process of approval of new products, suggesting the necessary adjustments and adaptations required to control the inherent risks;
iv. Updating of internal manuals, standards and regulations relating to the risk management process, so as to tailor the risk governance model to the legislation on Basel II, thus framing their approval model to the current legislation on the subject (04/GBM/2013 Notice, of 18 September);
v. Development of KRI – Key Risk Indicators to assess the performance of different credit processes and for credit recovery areas, based on the evolution of expected loss, reflecting credit exposure, collateral levels, duration of default and the result of the recovery process;
vi. Introduction of improvements in the credit process with a view to ensuring an integrated and overall vision of credit risk in the case of economic groups involved in credit operations in the different geographic areas where the Millennium bcp Group operates;
vii. Fine-tuning of the credit risk management and control mechanisms and instruments, promoting and coordinating actions that ensure better and higher collateralisation of loans.

ECONOMIC CAPITAL

ICAAP derives from the Basel II implementation process and is one of the main concerns of Millennium bim in introducing internal methodologies that are properly articulated with the parent company, so as to determine Economic Capital. The objective is to develop a model that allows the Bank to compare its economic capital requirements to the available financial resources in order to assess the Bank's capacity to absorb risk, which will enable an economic perspective of capital adequacy, as well as the identification of activities and/or businesses that create value.

In view of the nature of Millennium bim's core business in the market in which it operates (Commercial Banking), the main risks to be considered within ICAAP are as follows:

- Credit Risk;
- Operational Risk;
- Market Risk (Interest Rate and Exchange Rate);
- Liquidity Risk.

The risks considered for the ICAAP are assessed, for internal and regulatory purposes, according to the metrics in the table below:

TYPES OF RISK	SUB-CATEGORY	MEASUREMENT
Credit Risk		Model for the determination of impairment of the Loan Portfolio & Simplified Standardised Approach for the determination of own funds minimum requirements for the coverage of Credit Risk-Determination of RWA credit risk
Market Risk	Interest Rate	Interest rate risk gap & sensitivity analysis
	Exchange Rate	Model based on net foreign exchange position by currency (net open position) + Standardised Approach for the calculation of own funds minimum requirements for foreign exchange risk (RWA credit risk) & sensitivity analysis
Liquidity Risk		Maturity Gap Model & Stress Tests
Operational Risk		Basic Indicator Approach (BIA) & KRI – Key Risk Indicators

Given the recent dynamics of evolution in the regulatory framework, imposed by the adjustments made by the Banco de Moçambique in the implementation process of Basel II, in 2014, Millennium bim automated its models for assessing risk weighted assets (RWA) in terms of credit risk, market (interest rate) and operating risks, and has also implemented metrics for measuring interest rate risk in the Bank's portfolio and respective sensitivity analysis. The first three risks contribute to calculating the ratio of the Bank's solvency.

VALIDATION OF MODELS

The validation of the processes of calibration of the Rating and Credit Scoring models of Millennium bim is determined according to the transversal procedures of the Millennium Group. The process involves model owners, rating system owners, the Validation Committee, the Risk Control Committee (RCC) and the Audit Department, which is responsible for monitoring and validating rating systems in which the models in question are integrated.

In 2014, several monitoring, validation, calibration and review/improvement actions were performed on the credit risk models, whose actions focused on the rating models and systems for the Companies and Retail risk categories, in their different estimation components. Under this process, the most significant models are the Probability of Default (PD) model, the Rating model for Corporate customers and the TRIAD behavioural model.

CREDIT RISK

Credit granting is based on the prior classification of the Customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. A single risk-notation system is used, the Rating MasterScale, based on the expected probability of default, which allows greater capacity to assess Customers and better establishment of the hierarchies of the associated risk. It also allows identifying those Customers showing deteriorating credit capacity and, in particular, those classified as being in default in Basel II. All rating systems and models used at Millennium bim have been duly calibrated for the Rating MasterScale. Additionally, Millennium bim uses an internal scale of "protection levels" as an element intended for assessing the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

Control and mitigation of the credit risk is carried out, on the one hand, through a solid structure of risk analysis and assessment, using internal rating systems suited to the different business segments (rating model for companies and Credit Scoring model for individual Customers and ENI) and a model for the early detection of potential default of the portfolio (EWS model), and, on the other hand, through structural units that are exclusively dedicated to loan recovery (Credit Recovery Department), for situations of default that have already occurred.

Millennium bim adopts a continuous monitoring policy towards its credit risk management processes, promoting changes and improvements in those processes whenever it deems necessary, in order to ensure a greater consistency and efficiency of those processes. In 2014, the following achievements were of particular importance:

i. Approval of new policies and procedures to identify, measure, control and monitor credit risk and concentration risk;
ii. Introduction of methodologies to assess the internal capital needs to cover concentration risk;
iii. Introduction of the new types of credit concentration risk in the Bank's risk management framework, namely the economic sector, geographic region, currency and credit guarantee;
iv. Implementation of internal limits on exposure to concentration risks.

IN TERMS OF CREDIT IMPAIRMENT, THE FOLLOWING ARE NOTEWORTHY:

i. The start of production of the new internal module of warning signs – Early Warning Signals (EWS) and the workflow user manual for treatment of action plans. This workflow enables the automatic generation of warning levels, but also the generation of a series of predefined actions, to assist the commercial managers and Credit Departments, indicating, in a proactive manner, the appropriate actions to mitigate the warnings;
ii. Acquisition and implementation of a technological infrastructure and an information system, appropriate to the complexity of the techniques for performing periodic sensitivity analyses to the parameters that support the Impairment Model, including PD, LGD and the emerging periods to be considered. This application incorporates a stronger and more objective Module for the automatic calculation of DCF, the Parametric Tree parameters, the percentage of credit impairment loss and stress tests. In addition, this application will enable the automation of the documentation process for the individual analysis of individually significant Customers and the performance of back-tests on the parametric impairment model;
iii. Implementation of the new Parametric Tree parameters calculated for homogenous populations (consumption, housing, leasing & long-term rental, and other);
iv. The implementation of a technological infrastructure and an information system, appropriate to the complexity of the management processes and registration of economic groups, continuous improvement of procedures in terms of the process of analysis and decision-making concerning loans of materially relevant amounts, Customers or group of Customers (economic groups);
v. Strengthening of the monitoring process of the credit portfolio quality, through the systematic follow-up by the Risk Control Committee and the Audit Committee of the Bank, the evolution of the indicators of overdue credit/impairment, as well as credit in default (NPL) and the main risk situations, under the new prudential framework (Basel II).

The main indicators in the table below, as measured by EAD (Exposure at Default), illustrate the quarterly development of credit risk during the year 2014 compared to December 2013, identifying a positive performance in indicators of Exposure of Overdue Loans > 90 days on Total Exposure and Impairment ratio on Total Credit, and a slight deterioration in the NPL ratio > 90 days on EAD, showing improvement in the quality of the Bank's loan portfolio.

	Dec. 14	**Sep. 14**	**Jun. 14**	**Mar. 14**	Dec. 13
Overdue loans > 90 days/Total exposure	**3.1%**	**2.8%**	**3.0%**	**3.2%**	3.3%
Overdue loans (NPL) > 90 days/Total exposure/EAD	**3.4%**	**3.0%**	**2.9%**	**3.3%**	3.3%
Impairment/Total loans	**5.3%**	**5.4%**	**5.4%**	**5.6%**	5.8%

NPL = Non performing loans.
EAD = Exposure at Default.

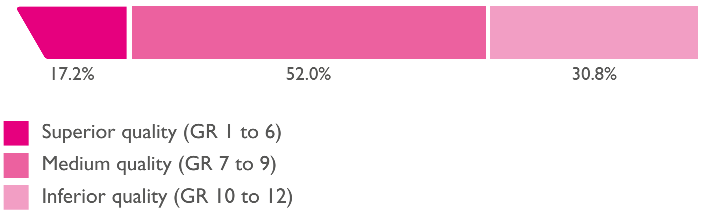
COMPOSITION OF THE LOAN PORTFOLIO

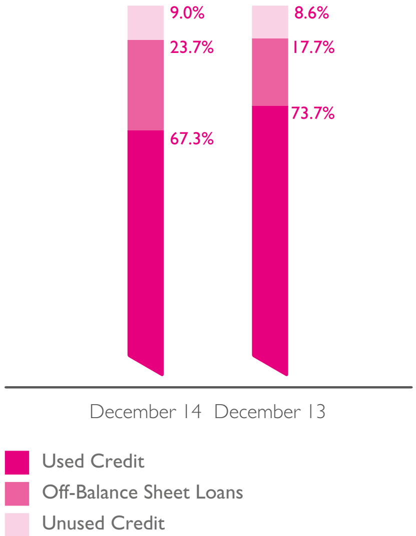
The structure of Millennium bim's loan portfolio at the end of December 2014, in nominal and overall terms (*i.e.* covering Balance Sheet and off-Balance Sheet exposures), is illustrated by the first graph on the right.

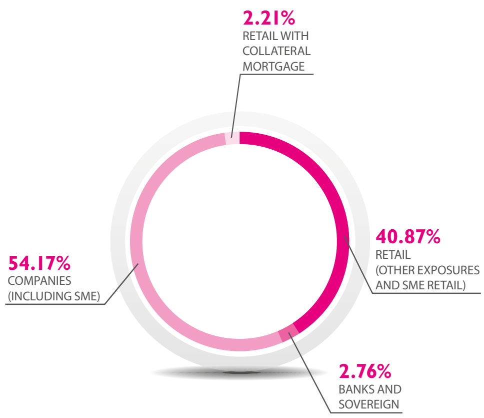
There are no significant differences in the evolution of the portfolio.

The second graph on the right shows the breakdown of the Bank's loan portfolio as at 31 December 2014 by segments of exposure and in terms of EAD (Exposure at Default).

The graph bellow shows the distribution of exposures by risk quality, measured by internally attributed risk degrees (Master Scale).







A considerable part of Corporate Customers, SME, ENI and some individual Customers, rated by the Bank's Rating and Credit Scoring Models, demonstrate financial strength and good ability to honour their commitments, focusing in the first two quarters of the Risk Degrees chart, reserved for Customers with medium and high risk quality.

OPERATING RISK

Operating risk consists in the occurrence of losses as a result of failures or inadequacies of processes, systems or people, or even external events.

In operational risk management, Millennium bim adopts control mechanisms subject to continuous improvement. This framework has a variety of features, such as: separation of functions, lines of responsibility and corresponding authorizations, definition of limits of tolerance and exposure to risk, ethical codes and codes of conduct, Risk Self-Assessment (RSA) exercises, Key Risk Indicators (KRI), access controls (physical or logical), reconciliation activities, exceptional reports, contingency plans, insurance contracting and internal training on processes, products and systems.

In terms of operational risk management, special emphasis goes to the following actions and achievements carried out in 2014:

- Strengthening of the operational losses database by identifying new cases for all business processes;
- Conduct of new operational risk self-assessment exercises;
- The regular monitoring of risk indicators that contribute to the early identification of changes in the risk profile of processes;
- The increased effectiveness in the use of the operational risk management instruments by the process owners, concerning the identification of improvements that contribute to the reinforcement of the processes' control environment.

OPERATING RISK MANAGEMENT STRUCTURE

The operating risk management system has been based on a structure of end-to-end processes, where it is considered that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and estimation of the effect of the corrective measures introduced to mitigate them. Furthermore, this process model also underlies other strategic initiatives related to the management of this risk, such as the actions to improve operating efficiency and the management of business continuity.

The responsibility for the management of the processes has been entrusted to Process Owners (seconded by Process Managers), whose mission is the characterisation of the operating losses captured under their processes, monitoring of the respective Key Risk Indicators, conduct of Risk Self-Assessment exercises, as well as the identification and implementation of suitable actions to mitigate operating risk exposures.

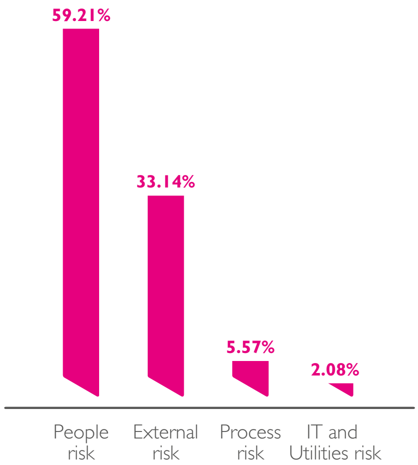
OPERATING RISK SELF-ASSESSMENT (RSA)

The objective of the RSA exercises is to promote the identification and mitigation (or elimination) of risk, current or potential, in each process, through the classification of each of the 20 sub-types of operating risks considered. These classifications are positioned in a risk tolerance matrix, including the worst case that might occur in each process (worst-case event), for three different scenarios. This enables:

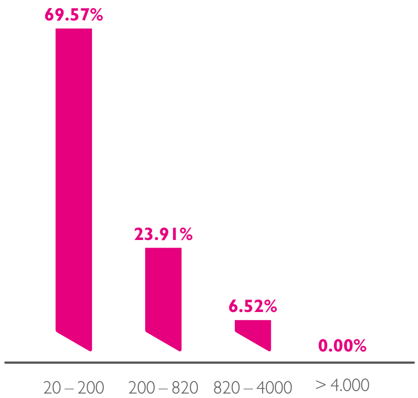
- Assessment of risk inherent to the different processes, which does not include the influence of existing controls (Inherent Risk);
- Determination of the influence of the installed control environment in reducing the level of exposure (Residual Risk);
- Identification of the impact of opportunities for improvement in the reduction of the most significant exposures (Target Risk).

The RSA exercises are based on workshops, attended by the Risk Office with the participation of the Process Owners and Process Managers, or through answers to questionnaires sent to the Process Owners, for review of the results of previous RSA, according to predefined updating criteria.

Distribution of Loss Events by Cause



Distribution of Loss Events by Value



CAPTURE OF OPERATING LOSSES

The objective of the capture (*i.e.* identification, recording and characterisation) of operating losses and the events which gave rise to them, carried out by Millennium bim for the operations covered by the operating risk management framework, is the strengthening of awareness of this risk and provision of relevant information to Process Owners, for its incorporation in the management of their processes, it being an important instrument to quantify exposure to risk. It should also be noted that the data on operating losses are used for back-testing the RSA results, enabling appraisal of the assessment/classification attributed to the risk sub-types.

The profile of the accumulated losses in the database up to 31 December 2014 is presented in the figures on the left, which are in line with the values of the preceding year.

Most of the losses were caused by procedural failings and external causes, and a large proportion of the operating loss events showed low material relevance.

KEY RISK INDICATORS (KRI)

KRI alert to possible changes in the profile of operating risks or efficacy of controls, enabling identification of the need to introduce corrective action in processes, so as to prevent potential risk from materialising into effective loss. The use of this management instrument has been extended to more and more processes, with 11 business operations already being covered in Millennium bim's main operations.

BUSINESS CONTINUITY MANAGEMENT

The management of business continuity includes two complementary components – the Business Continuity Plan regarding people, facilities and equipment, and the Technological Recovery Plan regarding information systems, applications and communication infrastructures.

Both plans are defined and implemented for a series of critical business processes, being promoted and coordinated respectively by a dedicated structural unit, whose methodology is based on a process of continuous improvement, guided by international good practices and the recommendations of supervisory entities.

These continuity plans are regularly tested and updated, through regular exercises aimed at improving the capacity of response to incidents and tightening the coordination between the emergency response, technological recovery, crisis management and business recovery.

INSURANCE CONTRACTING

The contracting of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operating risk, where the objective is the transfer – total or partial – of risk.

The specialised technical and commercial duties in the area of insurance contracting are entrusted to the Insurance Management Unit, which is a specialised unit that addresses and analyses the Bank's insurance information for the purpose of strengthening policy coverage, with a view to mitigating the main operating risks incurred by the Bank.

MARKET RISKS

Market risks consist of potential losses that can be recorded by a given portfolio, as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments of the portfolio, considering not only the correlations that exist between them, but also their respective volatility.

In terms of market risk management, special emphasis goes to the following actions and achievements carried out in 2014:

- The implementation, in the sensitivity analysis model, of a variation of 200 b.p. in the interest rate, in compliance with the instructions of Circular 04/SCO/2013, of Banco de Moçambique on 31 December;
- The introduction of the concentration risk in the interest rate risk management framework in light of the instructions given in circular no. 03/SCO/2013 of 31 December;
- The implementation of necessary conditions to ensure the reporting to Banco de Moçambique of the tables on interest rate risk on the banking book, according to circular no. 04/SCO/2013, of Banco de Moçambique on 31 December;
- The performance of stress tests, through sensitivity analysis, in light of the instructions given in circular no. 05/SCO/2013 of 31 December;
- The articulation with the Group's Risk Office, aimed at finding objective technological conditions to ensure the implementation of an internal self-assessment process for internal capital adequacy in terms of the Bank's exposure to interest rate risk;
- The consolidation of the internal determination process of the limit for the control of the Bank's level of exposure to interest rate risk, in line with the transversal limits across the Group for the ALM & Investment portfolio and indexed to the levels of the Bank's own funds;
- The rigorous daily monitoring of the degree of compliance with the limits of foreign exchange exposure, defined by Notice no. 15/GBM/2013, of Banco de Moçambique on 31 December, on prudential ratios and limits.

The assessment of the interest rate risk at Millennium bim is based on metrics established by Banco de Moçambique in Circular no. 04/SCO/2013, and by an internally defined methodology, based on the gaps by re-pricing residual periods of outstanding contracts, followed by sensitivity analysis. The tables present the position for the main currencies of importance in the Bank's activity (meticais and USD):

INTEREST RATE GAP FOR THE BALANCE SHEET – MZN

Thousand MZN

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 DECEMBER 2014					
ASSETS					
Cash and deposits at Banco de Moçambique	3,793,857	1,154,106	1,824,187	1,234,156	-
Available funds in other credit institutions	-	-	-	-	-
Deposits in credit institutions	-	-	-	-	-
Loans to customers (*)	25,604,490	11,432,479	6,369,441	1,692,143	-
Financial assets available for sale	3,403,548	5,806,275	14,892,418	-	-
Other assets	-	-	-	-	-
TOTAL ASSETS	**32,801,895**	**18,392,859**	**23,086,046**	**2,926,299**	**-**
LIABILITIES					
Deposits from other credit institutions	1,200,315	-	-	-	-
Customer deposits	16,169,690	12,629,076	19,961,594	13,508,371	-
Debt securities issued	1,000,000	-	-	-	-
Subordinated liabilities	-	-	175,000	-	-
Other liabilities	1,103,000	-	-	33,202	5,104
TOTAL LIABILITIES	**19,473,005**	**12,629,076**	**20,136,594**	**13,541,573**	**5,104**
INTEREST RATE GAP	**13,328,890**	**5,763,783**	**2,949,452**	**(10,615,274)**	**(5,104)**
ACCUMULATED INTEREST RATE GAP	**13,328,890**	**19,092,673**	**22,042,125**	**11,426,852**	**11,421,748**
ACCUMULATED SENSITIVITY (200 B.P.)	**275,578**	**370,697**	**447,829**		
31 DECEMBER 2013					
Total assets	30,488,736	15,148,188	17,173,721	1,206,625	-
Total liabilities	15,381,836	10,598,522	16,575,871	10,719,375	-
Interest rate risk gaps	15,106,900	4,549,666	597,851	(9,512,749)	-
Accumulated interest rate gap	15,106,900	19,656,567	20,254,417	10,741,668	-
Accumulated sensitivity (100 b.p.)	148,830	186,744	204,496		

(*) Net loans.

INTEREST RATE GAP FOR THE BALANCE SHEET – USD

Thousand MZN

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 DECEMBER 2014					
ASSETS					
Cash and deposits at Banco de Moçambique	1,962,353	-	-	-	-
Available funds in other credit institutions	1,491,240	-	-	-	-
Deposits in credit institutions	1,142,400	1,008,000	4,704	-	-
Loans to customers (*)	3,175,255	4,171,600	3,705,379	33,600	-
Financial assets available for sale	-	-	-	-	-
Other assets	-	-	-	-	-
TOTAL ASSETS	7,771,248	5,179,600	3,710,083	33,600	-
LIABILITIES					
Deposits from other credit institutions	879,144	-	-	-	-
Customer deposits	3,669,167	2,496,850	3,504,445	5,320,969	-
Debt securities issued	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	840,000	-	-	-
TOTAL LIABILITIES	4,548,310	3,336,850	3,504,445	5,320,969	-
INTEREST RATE GAP	3,222,938	1,842,749	205,637	(5,287,369)	-
ACCUMULATED INTEREST RATE GAP	3,222,938	5,065,687	5,271,324	(16,044)	(16,044)
ACCUMULATED SENSITIVITY (200 B.P.)	50,475	81,188	90,799		
31 DECEMBER 2013					
Total assets	7,654,354	3,285,932	3,924,437	4	-
Total liabilities	4,989,086	2,466,022	3,319,020	4,267,743	-
Interest rate risk gaps	2,665,268	819,910	605,418	(4,267,739)	-
Accumulated interest rate gap	2,665,268	3,485,178	4,090,595	(177,144)	-
Accumulated sensitivity (100 b.p.)	27,920	34,753	44,463		

(*) Net loans.

Exchange rate risk is assessed by measuring the indicators defined in the regulations of prudential scope of Banco de Moçambique, which is analysed using indicators such as:

- Net Open Position by Currency – collected through the Bank's computer system by the Risk Office, reporting on the last day of each months;
- Sensitivity Indicator – calculated through the simulation of the impact, on the Bank's earnings, of a hypothetical variation of 1% in the measurement exchange rates.

The results calculated as at 31 December 2014 show that the Bank is within the limits of tolerance to exchange rate risk, defined under the prudential rules established by Banco de Moçambique, both for any particular currency and for all currencies.

LIQUIDITY RISK

Liquidity risk reflects Millennium bim's inability to comply with its obligations at maturity without incurring in significant losses as a result of the deterioration of the funding conditions (funding risk) and/or the sale of its assets below market value (market liquidity risk). The management of liquidity risk is carried out in a centralised manner for all currencies. Under these conditions, both financing requirements and any surplus liquidity are managed through operations with participant counterparts in the monetary markets.

The management of liquidity is conducted in the Dealing Room, which is responsible for managing the effort of access to the markets, ensuring conformity with the Liquidity Plan.

The Bank's current loan-to-deposit ratio depends largely on the Bank's funds, which continued to record a very favourable evolution of deposits in 2014, which, to a large extent, enabled financing the growth in the loan portfolio.

In terms of liquidity risk management, special emphasis goes to the following actions and achievements carried out in 2014:

- The implementation of the concentration risk (top 10 and top 20 depositors) in the liquidity risk management framework of the Bank in light of the instructions provided in circular no. 03/SCO/2013 by Banco de Moçambique;
- The consolidation of the internal determination process of annual limits of immediate and quarterly liquidity and of enforceability parameters relative to deposits, both demand and term, and irrevocable commitments. The implementation of these parameters has materially relevant impacts on the Bank's liquidity ratio;
- The articulation with the Group's Risk Office aimed at finding objective technological conditions to ensure the implementation of an internal self-assessment process for internal capital adequacy in terms of the Bank's exposure to liquidity risk.

The measurement of Millennium bim's liquidity risk is made by the Risk Office, by calculating the indicators below, defined in the Manual of principles and liquidity risk management standards of Millennium bim, for which exposure limits are defined:

- Global Commercial and Currency Gap;
- Immediate Liquidity Indicator;
- Quarterly Liquidity Indicator;
- Liquidity Gap & Ratio (Basis Scenario);
- Stress Tests (Bank Specific Crisis Scenario and Stress Test-Market Crisis Scenario), whose results contribute to the preparation and assessment of the liquidity and capital contingency plan, referred to below, and to current management decisions.

The Bank's overall liquidity level (shortage or excess of funding) is measured by calculating the Global Commercial and Currency Gap [difference between the volume of gross loans and the volume of funds (funds do not include the volume of subordinated bond issues)].

TOTAL LIQUIDITY GAP FOR THE BALANCE SHEET

Thousand MZN

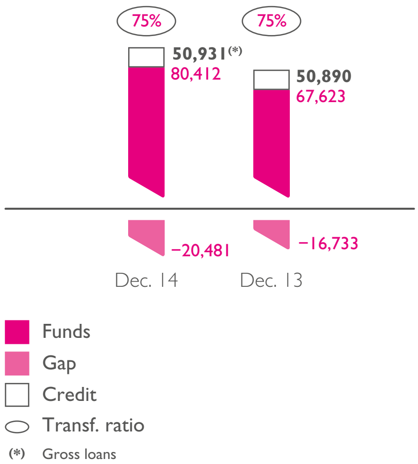
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 DECEMBER 2014					
ASSETS					
Cash and deposits at Banco de Moçambique	4,465,585	1,515,389	2,483,872	28,350	-
Available funds in other credit institutions	3,215,926	-	-	-	-
Deposits in credit institutions	1,737,791	1,008,000	4,704	-	-
Loans to customers (*)	7,529,895	5,775,707	3,046,841	15,967,871	25,009,376
Financial assets available for sale	4,056,514	7,784,226	11,837,500	-	-
TOTAL ASSETS	**21,005,711**	**16,083,322**	**17,372,916**	**15,996,221**	**25,009,376**
LIABILITIES					
Amounts owed to other credit institutions	2,102,739	840,000	-	-	38,306
Customer funds (includes other liabilities)	22,701,255	21,351,919	34,997,889	399,450	
Debt securities issued	-	-	1,000,000	-	-
Subordinated liabilities	-	-	-	175,000	-
TOTAL LIABILITIES	**24,803,995**	**22,191,919**	**35,997,889**	**574,450**	**38,306**
LIQUIDITY GAPS	**(3,798,284)**	**(6,108,598)**	**(18,624,973)**	**15,421,771**	**24,971,070**
ACCUMULATED LIQUIDITY GAP					
31 DECEMBER 2013					
Total assets	20,578,666	9,487,013	16,556,203	13,092,040	21,715,572
Total liabilities and equity	20,913,581	17,461,347	29,874,113	1,380,778	2
Liquidity gaps	(334,916)	(7,974,334)	(13,317,909)	11,711,261	21,715,570
ACCUMULATED LIQUIDITY GAP	**(334,916)**	**(8,309,250)**	**(21,627,159)**	**(9,915,898)**	**11,799,672**

(*) Net loans.

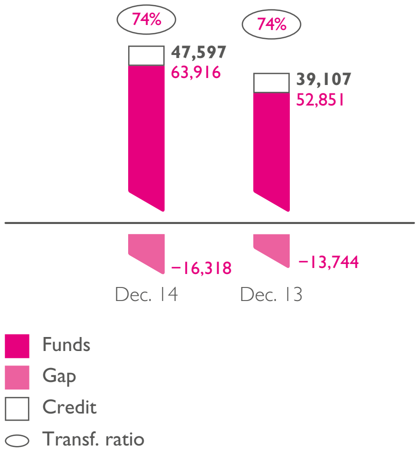
The Risk Office periodically carries out studies on the level of retention of Demand Deposits in the balance sheet of Millennium bim, in order to assess to what extent funds, technically considered volatile, can be used to finance medium and long-term credit operations.

The most recent study demonstrates that in all cases observed in non-parametric models, there continues to be considerable stability of the Bank's levels of retention of Demand Deposits. Furthermore, the new parameters of enforcement regarding term deposits and irrevocable commitments were also calculated and implemented. This liquidity management model of the Bank allows the Credit Decision-making Bodies to use, within safety and reason, the values corresponding to the percentage Demand Deposits retained at the Bank for the management of the liquidity position, in contrast with the purely accounting model which includes the entire volume of Demand Deposits, for the purpose of calculation of the Liquidity Gap, in the period of up to 1 month.

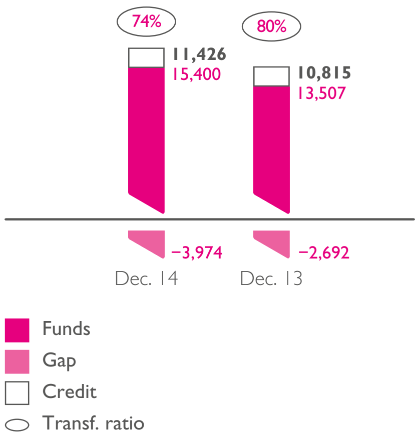
Commercial Gap and Loan-to-Deposit Ratio (Total)
Million MZN



Commercial Gap and Loan-to-Deposit Ratio (MZN)
Million MZN



Commercial Gap and Loan-to-Deposit Ratio (USD)
Million USD



On the other hand, the evolution of the Commercial Gap and Overall Loan-to-Deposit Ratio in the main currencies in which the Bank operates is reflected in the graphs on the left for 31 December 2014 and 2013.

From the analysis of the graphs, the most striking fact is the existence of a surplus liquidity position, not only in overall terms but also in each of the main currencies in which the Bank operates.

As a result of the prudent strategy of growth of its assets supported by a prior increase of deposits, the Bank has managed to remain immune to the consequences, in terms of liquidity, caused by the international financial crisis which has been experienced over the past few years.

CAPITAL AND LIQUIDITY CONTINGENCY PLAN

The Capital and Liquidity Contingency Plan (PCCL) defines the priorities, responsibilities and specific measures to be taken in the event of a situation of liquidity contingency, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at timely decision-taking in adverse scenarios, whether anticipated or observed.

BASEL II

The effective implementation of Basel II at Millennium bim added greater risk sensitivity to the processing of capital requirements and introduced capital requirements to cover operational and market risks. In this regard, several aspects should be highlighted, such as the automation of the process of collection, processing and calculation of RWA Credit, Market and Operational Risk, by the Simplified Standardised Approach, Standard Approach and Basic Indicator Approach (BIA), respectively, materiality relevant in calculating the Bank's Solvency Ratio.

In 2014, Millennium bim:

- Adapted its risk management framework, as well as its Governance Model, to the Risk Management Guidelines, set by Banco de Moçambique, through Notice 04/GBM/2013, of 31 December;
- Adapted the Bank's manuals of risk management standards, policies and procedures, so as to make them compliant with the Risk Management Guidelines, set by Banco de Moçambique (Notice 04/GBM/2013 of 31 December);
- Introduced, in the Bank's risk management framework, the concentration risk types set by Banco de Moçambique through Circular no. 03/SCO/2013 of 31 December, on the subject;
- Established internal control limits of the Bank's level of exposure to the concentration risks mentioned above, in accordance with the provisions of Notice 04/GBM/2013 of Banco de Moçambique on 31 December.

FINANCIAL REVIEW

SUMMARY

BIM – Banco Internacional de Moçambique, S.A., in conformity with the provisions in Notice no. 04/GBM/2007 and supplementary provisions issued by Banco de Moçambique, presents the individual and consolidated accounts for the financial years of 2013 and 2014, pursuant to the International Financial Reporting Standards (IFRS).

In a very competitive environment, the Bank maintained its leadership, with a focus on Assets, ensuring prudent liquidity levels while continuing to expand the network. The strong growth of credit, as a result of the expansion of the economy, to a certain extent, enabled minimising the impact on net interest income of the net change in interest rates.

The stability of the metical and the favourable evolution of the inflation rate have allowed Banco de Moçambique to continue the cuts on the reference rate cycle. This policy led to an intervention at the end of the year which was reflected in a reduction of the interest rate of the Permanent Assignment Facility by 75 b.p.

Total assets reached 101,502 million meticais on 31 December 2014, compared to 85,428 million meticais on 31 December 2013, which mainly reflects the increase in credit and financial assets available for sale, arising from a greater supply of securities issued by the Mozambican State, namely Treasury Bills.

Total customer funds rose to 80,412 million meticais on 31 December 2014, compared to 67,623 million meticais on 31 December 2013, benefiting from the good performance of the growth in Customer deposits, which remained the main funding source of the activity.

Net income was positive at 3,493.6 million meticais in 2014, representing an increase of 6% over the previous year.

PROFITABILITY ANALYSIS

NET INCOME

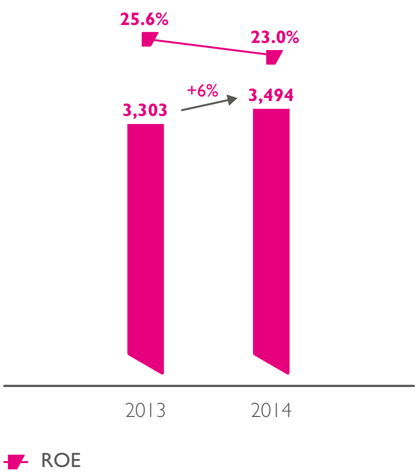
The increase in the Bank's net income, which amounted to 3,493 million meticais, was supported by the growth in the banking business, while operating costs and impairments increased moderately.

The performance of the net income recorded in 2014 essentially reflects the following positive impacts:

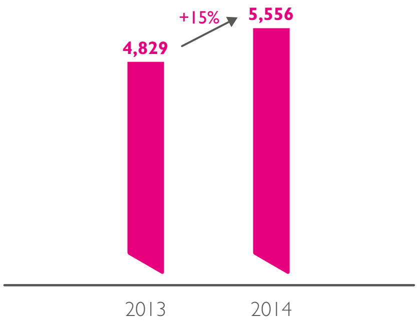
- The favourable evolution of net interest income was due to both the growth of the volume of loans to Customers and the improvement in the profitability of financial assets available for sale, which mitigated the effect of lower interest rates, increasing 15% compared to 2013;
- The gains from financial operations relating to higher volume in foreign exchange operations;
- The increase in net commissions, particularly commissions associated with the transfer of assets, with card business and the provision of credit guarantees.

Additionally, the net income in 2014 reflects the moderate increase in operating costs, in line with the current expansion plan of the network of branches, and the increase in depreciation resulting from the opening of the Bank's new headquarters.

NET INCOME
Million MZN



NET INTEREST INCOME
Million MZN



NET INTEREST INCOME

Net interest income increased by 15%, reaching a total of 5,556 million meticais in 2014, compared to 4,829 million meticais recorded in 2013, derived by the positive effect of the volume of interest bearing assets, in particular the granted loans and securities available for sale, notwithstanding the negative effect of the reduction of market rates.

In 2014, Banco de Moçambique continued its policy of encouraging the growth of economic activity and made a further cut to the FPC (Permanent Assignment Facility) by 75 b.p. In terms of funds, the fact that they continue to be the main source of funding to the banking activity, combined with the continuous market pressure on their attraction, led to a rise in the cost despite the prevailing macroeconomic scenario for the cut of reference rates.

Regarding the portfolio of financial assets, which mainly consists of securities issued by the Mozambican state, namely Treasury Bills and Bonds, the increase in issues by Banco de Moçambique in 2014 and the strict liquidity management allowed a significant increase of the portfolio, generating a positive effect on the net interest income.

The evolution of net interest income reflects the growth of the loan portfolio, but the Bank continues to adopt a careful policy of selection of the operations to be funded, for a strict control of credit risk, reflecting the priority given to the attraction and retention of Customer funds, through the strengthening of an interesting offer of products and attractive remuneration rates.

OTHER NET INCOME

Other net income reached 3,264 million meticais in 2014, 2% above the amount recorded in 2013.

OTHER NET INCOME

Million MZN

	Dec. 14	Dec. 13	Change 14/13
Income from equity instruments	**215.4**	211.7	1.7%
Net commissions			
Cards	**1,003.9**	921.6	8.9%
Credit and guarantees	**443.7**	364.4	21.8%
Foreign operations	**231.5**	232.2	-0.3%
Other banking services	**263.8**	252.2	4.6%
TOTAL NET COMMISSIONS	**1,942.9**	1,770.4	9.7%
Net income from financial transactions	**938.0**	812.8	15.4%
Other net operating income	**167.7**	415.7	-59.7%
TOTAL OTHER NET INCOME	**3,264.0**	3,210.5	1.7%
Other income/Operating income	**37%**	40%	

INCOME FROM EQUITY INSTRUMENTS

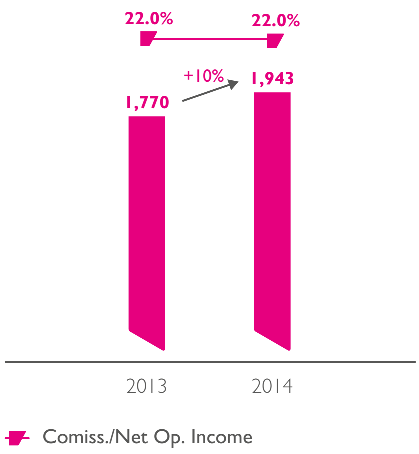
Income from equity instruments corresponds to the dividends received from the financial holding in Seguradora Internacional de Moçambique, S.A.

NET COMMISSIONS

Net commissions reached 1,943 million meticais, a 9.7% growth compared to the 1,770 million meticais recorded in 2013. The increase in commissions was supported by increased commercial activity and the use of new channels in the banking business, in particular the card business, transfer of values and credit guarantees.

The intensification of cross-selling resulted in a growth of approximately 13% due to the network use in bancassurance operations.

NET COMMISSIONS
Million MZN



EARNINGS FROM THE TRADING ACTIVITY

Earnings from the trading activity reached 938 million meticais in 2014. Compared to 2013, this represents an increase of 15.4% and reflects the Bank's commercial proximity policy. The rapprochement to Customers is reflected in a higher volume of foreign exchange transactions and despite the squeezing of net interest income, the volume allowed the growth of the earnings from the trading activity.

OTHER NET OPERATING INCOME

Other net operating income amounted to 168 million meticais in 2014, compared to 416 million meticais recorded in 2013. This decrease was essentially influenced by non-recurrent income in the sale of two properties in the amount of 228 million meticais in 2013.

OPERATING COSTS

Operating costs, which include staff costs, other administrative costs, depreciation and amortisation for the year, stood at 4,054 million meticais in 2014, representing an increase of 10% compared to 2013.

Million MZN

	Dec. 14	Dec. 13	Change 14/13
Staff costs	**1,840.9**	1,692.4	8.8%
Other administrative costs	**1,792.0**	1,642.8	9.1%
Depreciation	**421.1**	346.2	21.7%
	4,054.1	3,681.3	10.1%

The evolution of operating costs was conditioned by the strengthening of the commercial infrastructure and the support of the ongoing growth strategy of the branch and ATM network.

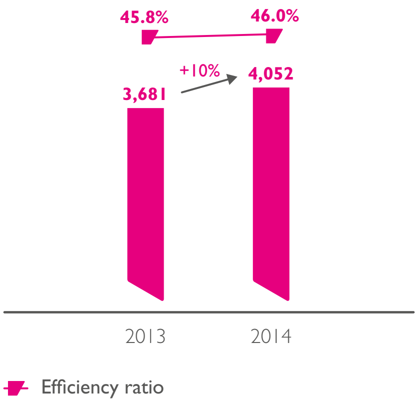
The 8.8% increase in staff costs compared to the same period in the previous year relates to the strengthening of the total number of Employees, under the expansion plan in progress, to the impact of the annual wage updating, and to the wage adjustments throughout the year, arising from the evolution of the professional career of the Employees.

Other administrative costs increased by 9%, influenced by the full remodelling of several branches and the expansion of the branch network, with higher costs relating to security and surveillance services, ATM and POS maintenance, transport of values, advertising and sponsorships.

Depreciation and amortisation for the year reached 421.1 million meticais in 2014, representing a growth of 21.7% compared to the value for 2013. The increase in depreciation and amortisation reflects the sequence of technological renovation investments made with a view to supporting the recent growth and enabling the IT platform for the expansion of the activity. Apart from this, the increase in depreciation and amortisation also results from the inauguration of the Bank's new headquarters, which was completed and occupied in May 2014.

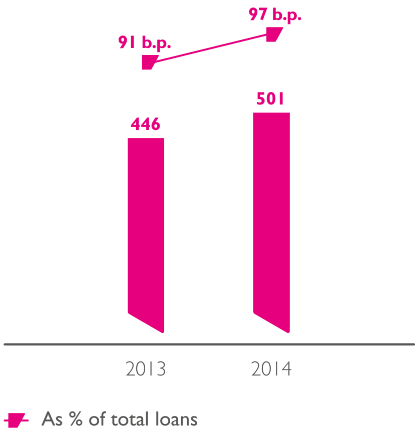
OPERATING COSTS

Million MZN



IMPAIRMENT

Million MZN



EFFICIENCY RATIO

The efficiency ratio (cost to income), on a comparable basis, stood at 46.0% in 2014. Maintaining this level of efficiency was possible due to the growth of operating income, on the one hand, and the moderate growth in operating costs, on the other hand.

CREDIT IMPAIRMENT AND OTHER IMPAIRMENTS AND PROVISIONS

Credit impairment (net of recovery) stood at 501 million meticais in 2014, compared to 446 million meticais in 2013.

The growth of the loan portfolio was a major determinant for impairment growth. Besides this, the Bank maintained a policy of prudent provisioning aimed at strengthening the full coverage of the portfolio of loans with signs of impairment.

In 2014, the cost of risk, measured as the proportion of credit impairment charges on the total loan portfolio, stood at 97 points, a similar level to that established in 2013.

BALANCE SHEET ANALYSIS

In 2014, Millennium bim continued to promote a careful management of assets and liabilities. In a macroeconomic environment that encourages loan concession to the economy, and as a way to preserve the structure of the balance sheet, the increase in granted loans was accompanied by the increase in new deposits, which maintained a loan-to-deposit ratio below 80%.

Total assets reached 101,502 million meticais on 31 December 2014, compared to 85,428 million meticais recorded in 2013, registering a 19% growth.

Net loans to Customers represent 56% of total assets, with gross loans corresponding to 59,931 million meticais, which is equivalent to an increase of 18% compared to December 2013 (50,890 million meticais). This evolution reflects the macroeconomic conditions, with growth in the company segment reaching 19%.

The increase of total assets was also influenced by the growth of 49.4% recorded in the financial assets available for sale and in the 14.3% growth of tangible and intangible assets, which reflects the technological investment, the investment in the programme of expansion of the branch and ATM network and in building the new head office for the Bank.

TOTAL ASSETS

Million MZN

	2014	2013	Change %
Cash and deposits at BdM	**8,493**	7,029	20.8%
Deposits and credit in credit institutions	**7,125**	9,890	-28.0%
Loans to customers (net)	**56,795**	47,921	18.5%
Financial assets available for sale	**22,186**	14,851	49.4%
Investments in subsidiaries	**356**	356	0.0%
Tangible and intangible assets	**4,671**	4,085	14.3%
Other	**1,876**	1,296	44.8%
	101,502	85,428	18.8%

LOANS TO CUSTOMERS (GROSS)

In a context of growing demand for credit, due to the development of the economy, Millennium bim had a 19% increase in loans to companies in 2014, notwithstanding the maintenance of a policy of prudence in the selection of operations according to risk and profitability, and reducing exposure to high concentrations.

Loans to customers (gross), on a comparable basis, reached 59,931 million meticais on 31 December 2014, a 18% increase in relation to the 50,890 million meticais recorded on 31 December 2013. This development was mainly driven by loans to companies (+19%), while loans to individuals grew by only 12%.

The structure of the loan portfolio maintained the same patterns of diversification, with a slight reinforcement of loans to companies, which holds a dominant position in the credit portfolio structure, with a weight of 78%.

CREDIT QUALITY

The quality of the loan portfolio, measured by the proportion of loans overdue more than 90 days based on total loans, stood at 2.2% on 31 December 2014, compared to 1.7% in 2013. This superficial growth, in a context of strong growth of the loan portfolio, continues to reflect a prudential credit policy, with the identification of higher risk segments in Individuals and the development of actions, aimed at strengthening prevention and stimulating credit recovery.

The coverage ratio of loans overdue by more than 90 days by impairment stood at 241% in 2014, with the Bank maintaining prudential criteria, having made sufficient impairment charges to keep a comfortable coverage of loans overdue.

CUSTOMER DEPOSITS

In a context of significantly higher competition for the attraction of customer funds, the Bank continued to have a large and diversified offer of products and services associated to the additional performance of the commercial networks and a strict pricing management combined with attractive maturities and remuneration, which contributed to total customer funds growing by 19%, amounting to 80,412 million meticais on 31 December 2014.

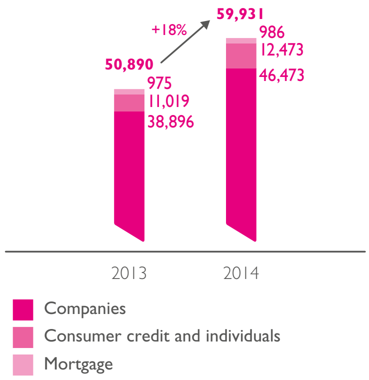
The focus on the attraction and growth of customer funds, with a stronger loyalty and expansion of the Customer base, providing a larger network of branches, extending the offer of solutions concerning programmed small savings and medium to long-term investments targeting individual customers and reinforcing involvement in the companies' treasury, was key to the result obtained in 2014. There was also the strengthening of excellence in Customer service, as a distinctive factor driving the commercial capacities of the distribution network.

SHARE

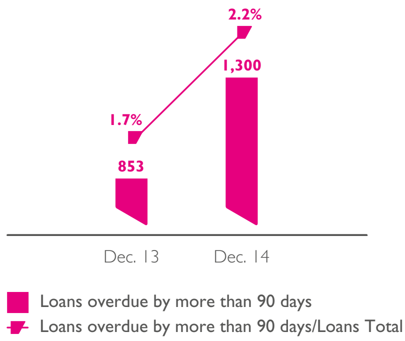
The capital ratios, on 31 December 2014, were calculated in accordance with the regulatory standards of Banco de Moçambique. The own funds result from the adding of core own funds (Tier 1) to complementary own funds (Tier 2).

The solvency ratio, on 31 December 2014, stood at 19%, with Tier I standing at 19%, greatly above the minimum limit of 8% recommended by Banco de Moçambique.

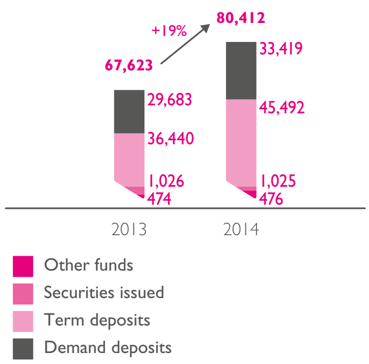
LOANS TO CUSTOMERS (GROSS)
Million MZN



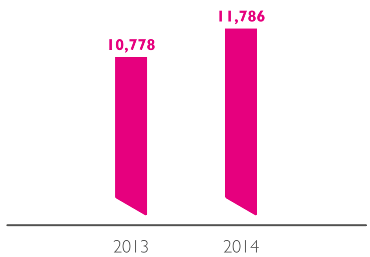
CREDIT QUALITY
Million MZN



CUSTOMER FUNDS
Million MZN



OWN FUNDS
Million MZN



PROPOSAL FOR THE APPROPRIATION OF PROFITS

Pursuant to the statutory provisions and under the terms of the Mozambican Legislation in force, namely Law no. 15/99 of the Credit Institutions regarding the constitution of Reserves, it is proposed that the net income recorded in the individual balance sheet for the financial year 2014, worth 3,493,636,411.47 meticais, should be distributed as follows:

Meticais

Legal Reserve	15.00%	524,045,461.72
Free Reserve	47.50%	1,659,477,295.45
Dividend stabilisation reserve	2.50%	87,340,910.29
Distribution to shareholders	35.00%	1,222,772,744.01

Mário Fernandes da Graça Machungo
Chairman

Miguel Maya Dias Pinheiro
1st Deputy Chairman

Manuel d'Almeida Marecos Duarte
2nd Deputy Chairman

Maria da Conceição Mota S. O. Callé Lucas
Director

António Manuel D. Gomes Ferreira
Director

Teotónio Jaime dos Anjos Comiche
Director

Ricardo David
Director

Rogério Gomes Simões Ferreira
Director

João Manuel R. T. da Cunha Martins
Director

Jorge Octávio Neto dos Santos
Director

Manuel Alfredo de Brito Gamito
Director

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY PROGRAMME – MORE MOZAMBIQUE FOR ME

Created in 2006, the Millennium bim social responsibility programme, "More Mozambique for Me", is a result of the Bank's commitment to the Mozambican society in supporting, creating and developing ongoing and sustainable projects, always was national coverage. Acting in the areas of sports, education, health, culture and community intervention, "More Mozambique for Me" has developed projects throughout the country, in partnership with local entities, both from civil society and the government.

Among the projects that took place in 2014, the following were of particular relevance:

SPORTS

Millennium bim Mini Basketball Tournament

In 2014, the Millennium bim Mini Basketball Tournament involved about 2,000 athletes, boys and girls, aged between 8 and 12 years, coming from schools, neighbourhoods and clubs of Maputo, Tete, Quelimane, Matola, Nacala, Nampula, Chimoio, Xai Xai and Beira. The 2014 tournament was also marked by the presence of the National Female Basketball Team, while preparing to compete in the World Championship in Turkey, thus recognising the role that this event plays in the training of young groups, producing new talent for this sport.

More Sports for All

With the aim of supporting school sports, More Sports for All is intended to provide equipment required for the students to be able to practice the subject of physical education in their schools and to complement this activity with school sports. Ten educational institutions received the necessary equipment for the practice of sports during school hours.

Millennium bim Race

Millennium bim organised the 9th edition of the Millennium bim Race. The race was attended by over 1,200 athletes in various categories: national and international, physically disabled athletes and amateurs of physical exercise who also participated in order to draw attention to the importance of physical activity and the need for a healthy lifestyle.

EDUCATION

A Clean City for Me – Recycle and Win

The project A Clean City for Me – Recycle and Win, which started in 2007 and has already involved the participation of over 11,000 primary and secondary school students from the cities of Maputo, Matola, Tete and Vilanculos, is intended to raise awareness of young people and the general public to the importance of their behaviour in the reduction of urban waste.

In 2014, the project's name changed to A Clean City for Me – Recycle and Win, with the introduction of a new strand, more focused on recycling and its importance to the cleaning of the city.

Environmental Clubs were created in the schools taking part in the project, under the guidance of technicians from AMOR – Mozambican Recycling Association, where students and teachers discuss issues related to the environment and where learn how to do the proper separation of waste, where paper, cans and plastics are treated and recycled.

Road Safety Campaign

The Road Safety Campaign covered over 20 schools in the cities of Maputo and Matola, where students, teachers and officers of the Traffic Police discussed issues relating to road safety and situations that children experience every day.

This project's major driver is IMPAR– Seguradora Internacional, in partnership with Millennium bim social responsibility programme, "More Mozambique for Me", the Police of the Republic of Mozambique (PRM) – Traffic Department of the General Command of the Police, and INATERR.

Millennium bim Banking Olympics

The 5th edition of Millennium bim Banking Olympics was held.

This financial literacy project, which aims to introduce concepts of banking and personal finance management in the daily lives of young people, had the participation of ten secondary schools in the city of Maputo and Matola. The schools that came in 1st, 2nd and 3rd places were awarded the "More Knowledge for All" space, a suitable place to study with donated furniture, computers and books. Students also received several prizes, including the opening of accounts in Millennium bim.

World Savings Day

Within the activities driven by Banco de Moçambique as part of the celebrations of the World Savings Day, educational activities were held in some schools and branches of the Bank, with the aim of raising awareness and instilling in children, youngsters and adults the importance of savings.

"Millennium bim School" project establishes partnership with ADPP

Millennium bim has established a partnership with ADPP – Ajuda de Desenvolvimento de Povo para Povo (Development Aid from People to People) – Children's Citadel, with the main objectives of supporting school education and encouraging entrepreneurial action, by improving the vocational training activity conducted by this institution.

"More Mozambique for Me" in Azgozito

Included in the 4th edition of the AZGO Festival, the AZGOZITO project is intended for children, and aims to enrich the school curriculum of the participating students and provide new musical skills.

Over two days, children took on the role of real "artists" in several workshops of music, book production, recycling and painting, being able to share musical experiences with some of the artists who performed at the Festival.

HEALTH

Capacity-building at Maputo Central Hospital

Millennium bim, Millennium bcp Foundation, the Calouste Gulbenkian Foundation and Camões – Institute for Cooperation and Portuguese Language signed a protocol to support the treatment of cancer patients at the Maputo Central Hospital.

The protocol "Integrated care to cancer patients – Strengthening of the institutional capacity of Maputo Central Hospital" contributes to the improvement of integrated care to cancer patients at the Maputo Central Hospital, the national referral centre, by improving better screening, diagnosis, treatment and registration of oncological diseases, in a concerted action with several Portuguese institutions.

CULTURE

Art Centre

Millennium bim, exclusive Sponsor of the Art Centre, rehabilitated the exhibition space, making it more modern and better equipped to welcome and promote works of Mozambican artists, and under the partnership it supports and promotes various manifestations of artistic creation that are worked on and exhibited at the Art Centre.

COMMUNITY INTERVENTION

Partnership with AMOR – Recycling Project

Millennium bim is the main partner of AMOR – Mozambican Recycling Association. This project, a reference in the recycling and reuse of solid waste, involves the selective collection of urban waste and operates in two ways:

- Through a free-of-charge service, where AMOR collectors visit private homes and companies to collect recyclable waste (paper, cardboard, plastics and cans);
- Through 9 Ecopoints – recyclable material purchase centres – where people deposit waste that can be recycled.

Support to Institutions

More than 2,500 children received institutional support, which resulted in the offer of food and school items, clothes and toys.

Responsible Millennium bim

Millennium bim Employees, through the Responsible Millennium bim programme, had the opportunity to participate in social and community interest actions with the aim of contributing to the social development of communities, implementing projects that the participating institutions want to accomplish, but for which they lack human and financial resources.

Casa do Gaiato was the chosen institution, where about 600 people, including Employees of Millennium bim, Millennium Insurance and their families, as well as residents of Casa do Gaiato and children from the surrounding community, participated in a large volunteering action.

Construction of three fountains

Millennium bim inaugurated three more fountains that will ensure a quality water supply to the communities of the districts of Buzi, Furancungo and Mandimba, in the provinces of Sofala, Tete and Niassa, respectively.

The community also received suitable containers for the transport and conservation of water in an effort to ensure "More Water for All".

SUBSIDIARY COMPANY – SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

In 2014, the premium income of Seguradora Internacional de Moçambique exceeded the targets budgeted for the period by 2.5%, corresponding to an amount of 1,753 million meticais.

The achievement of the objectives set for 2014 had the contribution of the Motor Vehicle branch, with an increase of about 8%, which represents a 33.4% weight in the portfolio, the Workman's Compensation, which grew about 10%, as well as the Works and Assembly and Sea branches, with a high growth, thus counteracting the negative impact of the Fire branch, which was well below the previous year due to the reduction of premium income in major projects, as already expected.

Despite the competitive environment of the Mozambican insurance sector, due to the commitment and convergence of various areas of the company, the collection process of premiums continued to be successful, which reduced the average collection period to 32 days, against 33 in the previous year.

The net income of Seguradora Internacional de Moçambique was 464 million meticais, a growth of 16% year-on-year, primarily justified by the reduction in net loss ratio of 21.4% and the growth in revenues in real branches, better profitability of the investments and tight control of administrative costs.

Seguradora Internacional de Moçambique continued to invest in finding complementary computer solutions, enabling greater efficiency and production of management information to improve both the management control and the follow-up of the evolution of the company's main drivers.

In order to improve sales level, commercial actions were carried out, including the launch of the travel insurance campaign in the Banking Channel Network, the review of capital with automatic acceptance in life insurance, the consolidation of the Corporate Customer Management project and the creation of a regional assistance centre for Millennium bim branches in the north of the country.

We have strengthened our Social Responsibility policy, mainly with the active participation in the Road Safety Campaign in partnership with PRM. As usual, we were partners of Millennium bim in the Mini Basketball Tournament, extending our intervention to the distribution of basketball hoops and balls to some national schools, thus helping to promote the practice of this sport and a proper physical and intellectual development of our children and youth. Also in partnership with Millennium bim, we were present at the Azgo Festival and in the 9th edition of the Millennium bim Race.

In order to minimise the organisational and image risks that may result from a disruption in business activity and ensure the continuity of business operations during a crisis, Seguradora Internacional de Moçambique signed, on 20 October 2014, the Business-Continuity Management Policy and Methodology, common to the Millennium Group's bank operations. The project, which has just started, will help create the business-continuity management system at SIM, which will have the advice and direct participation of Millennium bim's UCN Team in a 3-level structure: strategic, tactical and operational.

FINANCIAL STATEMENTS

ANNUAL REPORT
2014

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	Notes	2014	2013
Interest and similar income	2	**8,591,768**	7,341,996
Interest and similar costs	2	**2,745,794**	2,283,743
NET INTEREST INCOME		**5,845,974**	5,058,253
Income from equity instruments	3	**1,820**	1,974
Earnings from services and commissions	4	**1,881,926**	1,724,882
Earnings from trading activity	5	**961,067**	839,579
Other operating income	6	**900,029**	964,739
TOTAL OPERATING INCOME		**9,590,816**	8,589,427
Staff costs	7	**1,934,954**	1,780,547
Other administrative costs	8	**1,727,682**	1,586,792
Depreciation	9	**449,530**	373,914
TOTAL OPERATING COSTS		**4,112,166**	3,741,253
Loans impairment	10	**500,682**	446,181
Other provisions	11	**406,600**	208,977
NET (LOSS)/INCOME BEFORE INCOME TAX		**4,571,368**	4,193,016
Taxes			
Current	12	**841,978**	740,605
Deferred	12	**5,790**	(9,552)
		847,768	731,053
PROFIT AFTER INCOME TAX		**3,723,600**	3,461,963
Consolidated net income for the year attributable to:			
Shareholders of the Bank		**3,677,928**	3,424,570
Non-controlling interests		**45,672**	37,393
NET INCOME FOR THE YEAR		**3,723,600**	3,461,963
EARNINGS PER SHARE	13	**MZN 81.73**	MZN 76.10

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	2014	2013
ITEMS THAT MIGHT BE RECLASSIFIED TO THE INCOME STATEMENT		
Financial assets available for sale – fair value changes	(13)	(2,687)
Taxes	4	773
	(9)	(1,914)
ITEMS THAT WILL NOT BE RECLASSIFIED		
Revaluation reserves of hedge instruments, under cash flow hedging	5,101	(5,101)
Taxes	(816)	816
Actuarial losses for the year	(33,620)	(8,015)
	(29,335)	(12,300)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAXES	(29,344)	(14,214)
CONSOLIDATED NET INCOME FOR THE YEAR	3,723,600	3,461,963
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,694,256	3,447,749
Attributable to:		
Shareholders of the Bank	3,649,122	3,410,540
Non-controlling interests		
Consolidated net income for the year	45,672	37,393
Fair value reserves	(1)	(271)
Taxes	-	87
Actuarial losses for the year	(537)	-
	45,134	37,209
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,694,256	3,447,749

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

Thousand MZN

	Notes	2014	2013
ASSETS			
Cash and deposits at Banco de Moçambique	14	**8,493,195**	7,029,464
Available funds in other credit institutions	15	**3,217,654**	2,658,002
Deposits in credit institutions	16	**3,910,632**	7,320,583
Loans to customers	17	**56,794,676**	47,920,633
Financial assets available for sale	18	**23,778,019**	16,308,931
Investments in associated companies	19	**267,258**	267,258
Investment properties		**52,223**	52,223
Non current assets held for sale	20	**889,578**	509,272
Other tangible assets	21	**5,255,703**	4,522,902
Goodwill and intangible assets	22	**285,350**	273,943
Current tax assets	23	**13,020**	165,561
Deferred tax assets	24	**29,402**	37,700
Other assets	25	**1,230,724**	819,522
TOTAL ASSETS		**104,217,434**	87,885,994
LIABILITIES			
Amounts owed to other credit institutions	26	**2,102,739**	1,472,978
Customer funds	27	**77,143,707**	64,573,747
Debt securities issued	28	**1,025,132**	1,026,201
Provisions	29	**3,811,910**	3,434,343
Current income tax liabilities	23	**95,673**	273,918
Deferred income tax liabilities	24	**16,818**	19,020
Other liabilities	31	**1,995,484**	1,573,903
TOTAL LIABILITIES		**86,191,463**	72,374,110
EQUITY			
Share	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**13,351,988**	10,858,876
TOTAL EQUITY ATTRIBUTABLE TO THE GROUP		**17,851,988**	15,358,876
Non-controlling interests		**173,983**	153,008
TOTAL EQUITY		**18,025,971**	15,511,884
TOTAL EQUITY AND LIABILITIES		**104,217,434**	87,885,994

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED CASH FLOWS STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions received	**10,195,335**	9,406,836
Interest and commissions paid	**(2,883,531)**	(2,365,601)
Payments to employees and suppliers	**(3,566,133)**	(3,238,140)
Recoveries on loans previously written off	**76,897**	61,425
Net earned premiums	**1,150,790**	1,111,729
Claims incurred	**(442,471)**	(562,976)
OPERATING EARNINGS BEFORE CHANGES IN OPERATING FUNDS	**4,530,887**	**4,413,274**
(Increases)/decreases of operating assets		
Financial assets available for sale	**(7,479,794)**	(7,357,795)
Deposits in credit institutions	**3,633,924**	3,861,515
Deposits at central banks	**(1,166,921)**	(334,810)
Loans to customers	**(8,685,125)**	(9,893,102)
Other operating assets	**(670,732)**	(477,179)
Increases of operating liabilities		
Deposits from other credit institutions	**619,259**	1,309,729
Customer deposits and other loans	**12,954,055**	10,951,745
Other operating liabilities	**516,788**	188,381
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE PAYMENT OF INCOME TAX	**4,252,341**	**2,661,758**
Income tax paid	**(867,682)**	(466,687)
NET CASH FLOW FROM OPERATING ACTIVITIES	**3,384,659**	**2,195,071**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition/reinforcement of holdings	**-**	(14,711)
Dividends received	**1,820**	1,974
Acquisition of fixed assets	**(1,756,384)**	(1,118,242)
Values received from the sale of fixed assets	**72,298**	93,417
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(1,682,266)**	**(1,037,562)**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(1,156,011)**	(1,041,512)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(1,156,011)**	**(1,041,512)**
Effect of change in exchange rate on cash and cash equivalents	**310,079**	209,283
INCREASE IN CASH AND CASH EQUIVALENTS	**856,462**	**325,279**
Cash and cash equivalents at the beginning of the year	**5,293,904**	4,968,625
Cash and cash equivalents at the end of the year	**6,150,366**	5,293,904

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	Total equity	Share	Legal reserve	Other reserves and retained earnings	Non-controlling interests
BALANCE AT 01 JANUARY 2013	13,114,301	4,500,000	1,878,629	6,597,672	138,000
Transfer to the legal reserve	-	-	446,363	(446,363)	-
Dividends paid in 2013	(1,065,255)	-	-	(1,041,512)	(23,743)
Other movements	15,089	-	-	13,547	1,542
Comprehensive income	3,447,749	-	-	3,410,540	37,209
BALANCE AT 31 DECEMBER 2013	15,511,884	4,500,000	2,324,992	8,533,884	153,008
Transfer to the legal reserve	-	-	495,433	(495,433)	-
Dividends paid in 2014	(1,180,169)	-	-	(1,156,010)	(24,160)
Other movements	-	-	-	-	-
Comprehensive income	3,694,256	-	-	3,649,122	45,134
BALANCE AT 31 DECEMBER 2014	18,025,971	4,500,000	2,820,425	10,531,563	173,983

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

INCOME STATEMENT OF THE BANK FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	Notes	2014	2013
Interest and similar income	2	**8,377,570**	7,173,910
Interest and similar costs	2	**2,821,439**	2,344,972
NET INTEREST INCOME		**5,556,131**	4,828,938
Income from equity instruments	3	**215,378**	211,666
Earnings from services and commissions	4	**1,942,959**	1,770,430
Earnings from trading activity	5	**937,978**	812,795
Other operating income	6	**167,698**	415,722
TOTAL OPERATING INCOME		**8,820,144**	8,039,551
Staff costs	7	**1,840,922**	1,692,352
Other administrative costs	8	**1,792,046**	1,642,790
Depreciation	9	**421,141**	346,153
TOTAL OPERATING COSTS		**4,054,109**	3,681,295
Loans impairment	10	**500,682**	446,181
Other provisions	11	**89,634**	17,159
OPERATING PROFIT		**4,175,719**	3,894,916
NET (LOSS)/INCOME BEFORE INCOME TAX		**4,175,719**	3,894,916
Taxes			
Current	12	**676,293**	601,578
Deferred	12	**5,790**	(9,552)
		682,083	592,026
NET INCOME FOR THE YEAR		**3,493,636**	3,302,890
EARNINGS PER SHARE	13	**77.64 MZN**	73.40 MZN

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	2014	2013
ITEMS THAT WILL NOT BE RECLASSIFIED		
Revaluation reserves of hedge instruments, under cash flow hedging	**5,101**	(5,101)
Revaluation reserve taxes	**(816)**	816
Actuarial losses for the year	**(28,292)**	(8,309)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD AFTER TAXES	**(24,007)**	(12,594)
Net income for the year	**3,493,636**	3,302,890
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,469,629**	3,290,296

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET OF THE BANK AS AT 31 DECEMBER 2014

Thousand MZN

	Notes	2014	2013
ASSETS			
Cash and deposits at Banco de Moçambique	14	**8,493,195**	7,029,464
Available funds in other credit institutions	15	**3,215,926**	2,658,002
Deposits in credit institutions	16	**3,908,848**	7,231,863
Loans to customers	17	**56,794,676**	47,920,633
Financial assets available for sale	18	**22,186,330**	14,850,647
Investments in subsidiaries	19	**356,148**	356,148
Non current assets held for sale	20	**889,578**	509,272
Other tangible assets	21	**4,538,551**	3,954,375
Intangible assets	22	**132,016**	131,071
Current tax assets	23	**-**	141,619
Deferred tax assets	24	**29,402**	35,193
Other assets	25	**957,370**	609,952
TOTAL ASSETS		**101,502,040**	85,428,239
LIABILITIES			
Amounts owed to other credit institutions	26	**2,102,739**	1,472,978
Customer funds	27	**79,386,987**	66,597,211
Debt securities issued	28	**1,025,132**	1,026,201
Provisions	29	**463,727**	366,720
Subordinated liabilities	30	**175,611**	175,611
Current income tax liabilities	23	**95,673**	221,059
Other liabilities	31	**1,700,531**	1,330,437
TOTAL LIABILITIES		**84,950,400**	71,190,217
EQUITY			
Share	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**12,051,640**	9,738,022
TOTAL EQUITY		**16,551,640**	14,238,022
TOTAL EQUITY AND LIABILITIES		**101,502,040**	85,428,239

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

BANK'S CASH FLOW PAYMENT FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions received	**9,970,964**	9,234,146
Interest and commissions paid	**(2,897,478)**	(2,362,336)
Payments to employees and suppliers	**(3,603,880)**	(3,256,544)
Recoveries on loans previously written off	**76,897**	61,425
OPERATING EARNINGS BEFORE CHANGES IN OPERATING FUNDS	**3,546,503**	3,676,691
(Increases)/decreases of operating assets		
Financial assets available for sale	**(7,338,774)**	(7,398,274)
Investments in credit institutions	**3,477,381**	3,878,210
Deposits at central banks	**(1,166,921)**	(334,810)
Loans to customers	**(8,758,497)**	(9,902,901)
Other operating assets	**(711,084)**	(425,023)
Increases/(decreases) of operating liabilities		
Deposits from other credit institutions	**619,259**	1,309,729
Customer deposits and other loans	**13,045,160**	11,563,864
Liabilities represented by securities	**-**	(16,250)
Other operating liabilities	**508,704**	147,801
NET CASH FLOW FROM OPERATING ACTIVITIES BEFORE PAYMENT OF INCOME TAX	**3,221,731**	2,499,037
Income tax paid	**(660,060)**	(380,519)
NET CASH FLOW FROM OPERATING ACTIVITIES	**2,561,671**	2,118,518
CASH FLOW FROM INVESTMENT ACTIVITIES		
Dividends received	**215,378**	211,666
Acquisition of fixed assets	**(1,136,051)**	(1,065,588)
Values received from the sale of fixed assets	**72,083**	(4,238)
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(848,590)**	(858,160)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(1,156,010)**	(1,041,511)
Repayment of subordinated debt	**-**	(85,000)
Interest paid in financing activities	**(12,415)**	(12,816)
NET CASH FLOW FROM FINANCING ACTIVITIES	**(1,168,425)**	(1,139,327)
Effect of change in exchange rate on cash and cash equivalents	**310,079**	209 282
INCREASE IN CASH AND CASH EQUIVALENTS	**854,735**	330,313
Cash and cash equivalents at the beginning of the period	**5,293,903**	4,963,590
Cash and cash equivalents at the end of the period	**6,148,638**	5,293,903

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT OF CHANGES IN EQUITY OF THE BANK FOR THE YEAR ENDED ON 31 DECEMBER 2014

Thousand MZN

	Total equity	Share	Legal reserve	Other reserves and retained earnings
BALANCE AT 01 JANUARY 2013	11,988,914	4,500,000	1,878,629	5,610,285
Transfer to the legal reserve	-	-	446,363	(446,363)
Dividends paid in 2013	(1,041,512)	-	-	(1,041,512)
Other movements	324			324
Comprehensive income	3,290,296	-	-	3,290,296
BALANCE AT 31 DECEMBER 2013	14,238,022	4,500,000	2,324,992	7,413,030
Transfer to the legal reserve	-	-	495,433	(495,433)
Dividends paid in 2014	(1,156,011)	-	-	(1,156,011)
Comprehensive income	3,469,629	-	-	3,469,629
BALANCE AT 31 DECEMBER 2014	16,551,640	4,500,000	2,820,425	9,231,215

To be read with the accompanying notes to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2014

BANCO INTERNACIONAL DE MOÇAMBIQUE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31 DECEMBER 2014

1. INTRODUCTION – ACCOUNTING POLICIES

BIM – Banco Internacional de Moçambique, S.A. ("Bank" or "BIM") is a private bank with its head office in Maputo. The accounts presented herein reflect the earnings of its operations for the financial year ended on 31 December 2014.

The Bank's primary objective is the accomplishment of financial transactions and the provision of all the services permitted to commercial Banks in accordance with the legislation in force, namely the granting of loans in national and foreign currency, the granting of credit notes and bank guarantees, transactions in foreign currency and receipt of deposits in national and foreign currency.

The consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the "Group") and share of the Group in affiliates for the years ended on 31 December 2014 and 2013.

A) ACCOUNTING BASIS

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS).

The IFRS include the standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and their respective former bodies. The consolidated financial statements presented herein were approved by the Bank's Board of Directors on 19 February 2015, and are stated in MZN rounded to the nearest thousand.

Basis of measurement

The financial statements were prepared under the historical cost convention, modified by the application of fair value for financial assets and liabilities available for sale, except for those where fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets held for sale and groups held for sale (disposal groups) are recorded at the lowest book value or fair value minus selling costs.

The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

Functional and presentation currency

These financial statements are presented in meticais which is the Group's functional currency.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and costs.

The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable under the circumstances and are a basis for the judgments on the values of the assets and liabilities that are not evident through other sources. The actual results may differ from the estimates.

Judgement

The underlying estimates and assumptions are reviewed continuously. The reviewed estimates are stated prospectively.

Issues involving a higher degree of judgement or complexity or where assumptions and estimates are considered to be significant are presented below.

Accounting estimates and judgements in applying accounting policies

The IFRS establish a series of accounting treatments that require the Executive Committee (executive members of the Board of Directors) to apply judgment and make the necessary estimates in order to decide which accounting treatment is most appropriate.

The main accounting estimates and judgements used in the application of the accounting principles by the Bank and its subsidiary are analysed below, in order to allow for a better understanding of how their application affects the results reported by the Group, and their disclosure.

Considering that in some cases the accounting standards enable alternative accounting treatment compared to the one adopted, the results reported by the Bank and Group could be different if an alternative treatment were chosen. The Executive Committee considers that the adopted criteria are appropriate and that the financial statements present the financial position and operations of the Group in a suitable manner in all materially relevant aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

(i) Credit impairment losses

The assets stated at amortised cost are assessed for impairment losses, as described in Note 1 c) of the accounting policies.

The specific impairment loss components are assessed individually, based on the Executive Committee's best estimate of the present value of the expected cash flow. In estimating this cash flow, the Executive Committee makes a judgement on the financial situation of the counterpart and on the net realisable value of any underlying guarantee.

Each impaired asset is assessed regarding its merit, and the recovery strategy and estimated cash flow considered recoverable are independent of the credit risk function.

The impairment losses analysed on a collective basis are determined based on similar economic characteristics, when there is objective evidence to suggest that they contain reductions of their recoverable value, but whose impaired items cannot yet be specifically identified.

In the assessment of the need to record loan impairment losses, the Executive Committee considers factors such as credit quality, size of the portfolio, concentration and economic factors.

In order to estimate the value of the losses, assumptions are made to define the way that inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the estimated value of the losses depends on the soundness of the estimated future cash flow for the losses of a specific counterpart and the model's assumptions and parameters used in the determination of the losses based on collective analysis.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

(ii) Determining the fair value
Determining the fair value of financial assets and liabilities for which there is no observable market price requires the use of assessment techniques such as those described in the accounting policy, 1 d).

For financial instruments which are not marketed frequently and have little price transparency, the fair value is less objective and requires variable degrees of judgement, depending on the liquidity, concentration, uncertainty regarding market factors, assumptions on price establishment and other risks that affect specific instruments.

Consequently, the use of a different model or different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

(iii) Employee benefit plan
Determining the pension payment liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment and other factors that could influence the cost and liabilities of the plan.

Changes in these assumptions could materially affect these values.

(iv) Income tax
The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the overall amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

Accounting policies
The accounting policies set forth were applied consistently to all the Group's entities and are consistent with those used in the preparation of financial statements for the previous period, with the introduction of changes resulting from the adoption of the following standards: IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint arrangements and IFRS 12 – Disclosure of Interests in Other Entities, with mandatory application as at 1 January 2014.

The Group has adopted the IFRS and interpretations of mandatory application for the financial years beginning on or after 1 January 2013, as mentioned in Note 44.

IFRS 10 – Consolidated financial statements
IFRS 10 revokes part of IAS 27 – Separate financial statements and SIC 12 and introduces a single control model which determines if an investment should be consolidated. The new control concept involves the assessment of power, exposure to variable returns and the connection between both. An investor controls an investee when exposed to (or with rights to) variable returns derived from his involvement with the investee and can get hold of these returns due to the power held over the investee (*de facto* control).

According to the transition rules defined in IFRS 10, the Group reassessed the control over its investments on 1 January 2013, with no impacts from this reassessment.

IFRS 11 – Joint arrangements
This new standard, which revokes IAS 31 and SIC 13, defines "joint control", introducing the control model defined in IFRS 10 and requires an entity that is part of a "joint agreement" to determine the type of joint agreement in which it is involved ("joint operation" or "joint venture"), evaluating its rights and obligations. IFRS 11 eliminates the proportionate consolidation option for jointly controlled entities. Jointly controlled entities that meet the "joint venture" criteria must be accounted for, using the equity method (IAS 28).

Changes resulting from the adoption of IFRS 11 had no impact on the measurement of the Group's assets and liabilities.

IFRS 12 – Disclosure of interests in other entities
IFRS 12 includes disclosure requirements for all forms of investment in other entities, including joint arrangements, associates, special purpose vehicles and other vehicles that are off-balance sheet.

B) BASIS OF CONSOLIDATION

(i) Financial holdings in subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls another entity when it is exposed, or has rights, to variable returns derived from its involvement with that entity and the ability to enforce these returns over the entity's relevant activities, using its power (*de facto* control). The financial statements of subsidiaries are included in the consolidated financial statements as from the date the Group acquires control, until the date that such control ceases.

The consolidated financial statements regarding 31 December 2014 reflect the assets, liabilities and net income of BIM – Banco Internacional de Moçambique, S.A. and its subsidiary, Seguradora Internacional de Moçambique, S.A, which, pursuant to the prerogatives of the IFRS, are consolidated through the full method.

(ii) Consolidation and revaluation differences – Goodwill

The goodwill arising from business combinations that took place up until 1 January 2006 was recorded under hedging reserves.

Business combinations that took place after 1 January 2006 are recorded through the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets that are acquired and liabilities that are incurred or undertaken, including the costs directly attributable to the acquisition, for acquisitions up to 31 January 2009.

After 1 January 2010, costs directly attributable to the acquisition of a subsidiary are directly charged to results.

The goodwill arising from the acquisition of holdings in subsidiaries and associates is defined as the difference between the cost value and the corresponding share of the fair value of the net assets acquired.

As of the date of IFRS transition, on 1 January 2006, the positive goodwill arising from acquisitions is recognised as an asset and recorded at acquisition cost, and is not subject to amortisation.

The recoverable value of the goodwill recorded in the assets is assessed annually, regardless of the existence of signs of impairment. Any impairment losses will be included in the results for the financial year.

The recoverable amount is determined based on the higher figure, between the assets' value in use and the fair value minus selling costs, calculated using valuation methodologies supported by deducted cash flow techniques, considering market conditions, the time value of money and business risks.

If the goodwill is negative, it is recorded directly in the results for the financial year when the business combination occurs.

(iii) Transactions eliminated on consolidation

Balances and transactions with the subsidiary, as well as any gains and losses arising from these transactions, are annulled in the preparation of the consolidated financial statements.

(iv) Non-controlling interests

Non-controlling interest are measured according to the proportion of the identifiable net assets of the acquired entity on the acquisition date.

Changes in the Group's stake in a subsidiary that does not lead to loss of control are stated as equity transactions.

(v) Loss of control

When the Group loses control over a subsidiary, the assets and liabilities of the subsidiary and any associated net comprehensive income and other equity components are derecognised.

Any resulting gain or loss is recognised as profit or loss. Any stake held in the formerly controlled subsidiary is measured at fair value when control is lost.

C) LOANS TO CUSTOMERS

The heading of Loans to Customers includes loans derived from the Bank which are not intended to be sold in the short-term, which are recorded on the date when the funds are provided to the Customers.

These assets are derecognised in the following situations: (i) use of impairment losses when they correspond to 100% of the value of the loans; (ii) the contractual rights of the Group expire or (iii) the Group has substantially transferred all the risks and benefits associated to these loans.

Subsequent recoveries of these loans are recorded as a reduction of impairment losses for the year when they occur.

Loans to Customers are initially recognised at their fair value, plus any transaction costs, and are subsequently valued at amortised cost, based on the effective interest rate method, and are presented net of impairment losses.

Impairment

It is the Group's policy to regularly assess the existence of objective evidence of impairment in its loan portfolio.

The identified impairment losses are recorded against profit or loss, and subsequently reversed through profit or loss if there is a reduction of the estimated impairment loss in a subsequent period.

After initial recognition, a Customer loan or loan portfolio, defined as a group of loans with similar credit risk characteristics, may be classified as impaired when there is objective evidence of impairment as a result of one or more events and when this has an impact on the estimated future cash flow of the Customer loan or loan portfolio, that can be reliably estimated.

According to IAS 39, there are two methods for the calculation of impairment losses: (i) individual analysis and (ii) collective analysis.

(i) Individual analysis

The assessment of the existence of impairment losses in individual terms is determined through analysis of the total loan exposure, on a case-by-case basis. For each loan considered individually significant, the Bank assesses the existence of any objective evidence of impairment on each reporting date.

When determining impairment losses in individual term, the following factors are considered:

- The total exposure of each Customer at the Group and the existence of overdue loans;
- The economic-financial viability of the Customer's business and its capability to generate sufficient cash flow to service future debt obligations;
- The existence, nature and estimated value of the collateral associated to each loan;
- A significant deterioration in the Customer's rating;
- The Customer's assets in situations of liquidation or bankruptcy;
- The existence of creditor claims;
- The amount and timing of expected recovery.

Impairment losses are calculated by comparing the present value of the expected future cash flow discounted at the original effective interest rate of each contract and the book value of each loan, where losses are stated against profit or loss.

The book value of impaired loans is presented in the balance sheet net of impairment losses.

For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

The present value of the estimated future cash flow of an asset-backed loan corresponds to the cash flow that may arise from the recovery and sale of the collateral, minus any costs inherent to its recovery and sale.

Loans which do not comply with the classification requirements for individual analysis are grouped into portfolios with similar credit risk characteristics and assessed collectively.

(ii) Collective analysis
Impairment losses based on collective analysis may be calculated from two perspectives:

- For homogeneous groups of loans showing signs of impairment that are not considered individually significant (parametric analysis); or
- In relation to losses incurred but not reported (IBNR) for all other loans included under loans subject to individual impairment analysis.

The collective impairment loss is determined considering the following factors:

- Historical experience of losses in portfolios of similar risk;
- Knowledge of the current economic environment and its influence on the level of historical losses; and
- The estimated period between the occurrence of the loss and its identification.

The methodology and assumptions used to estimate the future cash flow are reviewed regularly by the Bank in order to monitor the differences between the estimated and real losses.

Loans analysed individually, for which no objective evidence of impairment has been identified, are grouped together based on similar credit risk characteristics for the purpose of calculating the collective impairment losses. This analysis allows the Group to recognise losses whose identification, in individual terms, will only occur in future periods.

D) FINANCIAL INSTRUMENTS

i) Recognition
The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date they are originated. All other financial instruments (including regular purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes part of the contractual provisions of the instrument.

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

(ii) Classification

Financial assets
The Bank classifies its financial assets in the following categories:

- loans and debtors;
- held to maturity;
- available for sale; and
- at fair value through profit or loss, and in this category:
  - held for trading; or
  - designated at fair value through profit or loss.

Financial liabilities
The Bank classifies its financial liabilities that are not financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(iii) Derecognition

Financial assets
The Bank derecognises a financial asset when the contractual rights to the asset's cash flow expire, or it transfers the rights to receive the contractual cash flow in a transaction in which substantially all risks and benefits of the financial asset ownership are transferred, or when the Bank neither transfers nor retains substantially all risks and benefits of ownership and does not retain control of the financial asset.

On the derecognition of a financial asset, the difference between the book value of the asset (or the book value allocated to the part of the derecognised asset) and the sum of:

(i) the received pay (including any new asset obtained minus any new liability taken on) and
(ii) any cumulative profit or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets, that qualify for derecognition and are created or retained by the Bank, are recognised as a separate asset or liability.

The Bank operates in transferring the assets recognised in the financial position statement, but retains all or substantially all risks and benefits of the transferred assets or a part of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities borrowing and lending business and repurchase transactions.

When assets are sold to third parties, with a simultaneous swap rate of return on the transferred assets, the transaction will be recorded as a financing transaction, warranted as a sale and repurchase transaction, because the Bank retains all or substantially all risks and benefits for the ownership of such assets.

In transactions where the Bank does not retain or transfer substantially all risks and benefits of ownership of the financial asset and retains control over the asset, the Bank continues to recognise the asset to the extent of its continuous involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank continues to have the obligation to establish for the transferred financial asset in exchange for fees. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the maintenance agreement if the maintenance fee is more than adequate (asset) or is less than adequate (liability) for performing the maintenance.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are met, cancelled or when they expire.

(iv) Offset

Financial assets and liabilities are offset and the net amount presented in the financial position statement when, and only when, the Bank has the legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses are presented on a net basis only when permitted by IFRS, or for profits and losses arising from a group of similar transactions, as in the Bank's commercial activity.

(v) Measurement of amortised cost

The "amortised cost" of a financial asset or liability is the value at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the recognised initial amount and the maturity amount, minus any write-down for impairment.

(vi) Measurement of fair value

"Fair value" is the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the time of initial measurement or, in its absence, in the most advantageous active market to which the Bank has access on that date. The fair value of a liability reflects its default risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is considered active when the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

The best evidence of fair value of a financial instrument on initial recognition is normally the transaction price – *i.e.*, the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability, nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to take into account the difference between the fair value on initial recognition and the transaction price. Later, this difference is recognised in profit or loss on an appropriate basis over the instrument's lifetime, but at the latest when the valuation is fully supported by observable market data or the transaction is closed.

If an asset or liability measured at fair value has a purchase price and a selling price, then the Bank measures assets and long positions at an offer price, and liabilities and short positions at a selling price.

The portfolios of financial assets and liabilities that are exposed to market risk and credit risk, which are managed by the Bank on the basis of the net exposure to markets or the credit risk is measured based on the price that would be received in selling a long net position (or paid to transfer a short net position) for a particular risk exposure. These portfolio-level adjustments are allocated to the individual assets and liabilities based on risk adjustment for each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, deducted from the first date on which payment of the amount could be required.

The Bank recognises transfers between levels of fair value hierarchy as of the end of the reporting period in which the change occurs.

The Bank classifies its financial assets under the following categories:

1) Financial assets available for sale

Financial assets available for sale are held for the purpose of being maintained by the Group, namely bonds, treasury bills or shares, and are classified as being available for sale, unless they are classified under another category of financial assets.

Financial assets available for sale are subsequently measured at their fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated profits or losses recognised as fair value reserves are recorded under Earnings from financial assets available for sale in the income statement.

The interest from debt instruments is recognised based on the effective interest, considering the expected useful life of the asset. In situations where there is premium or discount associated to the assets, the premium or discount is accrued monthly to maturity and recognised in the corresponding cost/income accounts as interest, which is the expression of the effective rate in a linear manner. Dividends are recognised through profit or loss when the right to receive them is attributed.

2) Other financial liabilities

Other financial liabilities are all financial liabilities that are not recorded under the category of financial liabilities at fair value through profit or loss. This category includes money market positions, deposits of customers and other financial institutions, issued debt, among others.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised under net interest income.

The financial gains or losses calculated in the time of repurchase of other financial liabilities are recognised as "Earnings from trading activity" when they occur.

(ii) Impairment of financial instruments

On each reporting date, an assessment is made of the existence of objective evidence of impairment. A financial asset, or group of financial assets, is impaired whenever there is objective evidence of impairment arising from one or more events that occur after their initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price, and (ii) for unlisted securities, when this event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation, and the period of 1 year is assumed as a prolonged decrease in fair value below acquisition cost.

If impairment is identified in a financial asset available for sale, the cumulative loss (measured as the difference between the acquisition cost and the fair value, excluding any impairment loss recognised previously through profit or loss) is transferred from reserves and recognised in the income statement. If, in a subsequent period, the fair value of debt instruments classified as available for sale increases and this increase can be objectively related to an event which occurred after the impairment loss was recognised in the income statement, the impairment loss is reversed through profit or loss.

Recovery of impairment losses on equity instruments classified as financial assets available for sale is recognised as a gain in fair value reserves when it occurs (if there is no reversal in the income statement).

The policy of impairment of the Customer loan portfolio is described in Note 1 c) above.

E) HEDGE ACCOUNTING

The Group uses derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk arising from financing and investment activities. Derivatives not qualified for hedging accounting are stated as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- At the starting date of the hedge there is formal documentation of the hedge;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be measured reliably;
- The hedge is assessed on a continuous basis and is highly effective throughout the reporting period; and
- For hedges of a forecast transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect net income.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to net changes in foreign exchange risk related to the underlying monetary items is recognised through profit or loss.

(i) Fair value hedge

Net changes in the fair value of derivatives that are used and qualify as fair value hedge instruments are recognised against profit or loss, together with net changes in fair value of the asset, liability or group of assets and liabilities attributable to the hedged risk. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses through the variations of the interest rate risk associated to the hedged item until the discontinuance of the hedge are amortised through profit or loss over the residual period of the hedged item.

(ii) Cash flow hedge

In a hedge relationship, the effective portion of net changes in the fair value of derivatives that qualify as cash flow hedges are recognised under equity – cash flow hedge reserves. Fair value variations of the ineffective portion of the hedge are immediately recognised against profit or loss when they occur.

Amounts accumulated under equity are reclassified to profit or loss for the periods when the hedged item affects profit or loss.

In case of the hedging of cash flow variability, when the hedge instrument expires or is disposed or when the hedge relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued prospectively. Therefore, the fair value changes of the derivative accumulated under equity up to the date of the discontinuation of the hedge can be:

- Deferred over the residual period of the hedged instrument; or
- Recognised immediately through profit or loss for the year, if the hedged instrument is extinguished.

In the case of the discontinuation of a hedge for a future transaction, the net changes in fair value of the derivative recorded under equity are kept there until the future forecasted transaction is recognised through profit or loss. When the transaction is no longer expected to occur, the cumulative gains or losses recorded against equity are immediately recognised through profit or loss.

(iii) Hedging effectiveness
For a hedge relationship to be classified as such pursuant to IAS 39, its effectiveness must be demonstrated. For this reason, the Group performs prospective tests at the starting date of the hedge, when applicable, and retrospective tests in order to demonstrate the effectiveness of the hedging relationships as at each reporting date, showing that the changes in the fair value of the hedge instrument are hedged by the changes in the hedged item with respect to the covered risk. Any identified effectiveness is recognised through profit or loss when it occurs.

F) TRANSACTIONS WITH REPURCHASE AND RESALE AGREEMENT

The Bank purchases (sells) investments with resale (repurchase) agreement of investments that are substantially equivalent at a future date at a previously defined price.

Acquired investments that are subject to resale agreements on a future date are not recognised. The amounts paid are recognised under loans to Customers or financial institutions. The values receivable are presented as being collateralised by the related securities.

Investments sold through repurchase agreements continue to be recognised in the balance sheet and are revalued pursuant to the accounting policy for other assets available for sale. The amounts received from the sale of the investments are presented under the heading of Customer Deposits – Other funds.

The difference between the sale and repurchase conditions is recognised on an accrual basis over the period of the transactions and is recorded under Interest and similar income or Interest and similar costs.

G) FINANCIAL LEASES

For the lessee, finance lease transactions are recorded at the lease starting date as an asset and liability, at the fair value of the leased property, which is equivalent to the present value of the future lease instalments.

The instalments are composed of the financial charge plus the amortisation of the principal. The financial charges are imputed to the lease period in order to produce a constant periodic rate of interest on the remaining liability balance for each period.

For the lessor, the leased assets are derecognised, with a financial asset being recognised at an amount equal to the net investment of the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

H) RECOGNITION OF INTEREST

The earnings relative to interest of financial instruments, both assets and liabilities, measured at amortised cost are recognised under the headings of Interest and similar income or Interest and similar costs, using the effective interest rate method.

The effective interest rate corresponds to the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument (or, when appropriate, for a shorter period) to the book value of the financial asset or liability.

The interest and other similar income and the interest and similar costs presented in the comprehensive income statement include:

- Interest on financial assets and financial liabilities measured at amortised cost, calculated through the effective interest rate method;
- Interest on investments available for sale calculated through the effective interest rate method.

Specifically regarding the accounting policy for interest on overdue loans' portfolio, the following procedure is performed:

- The interests accrued and not paid for overdue loans for more than 90 days are writen-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

I) RECOGNITION OF INCOME FROM FEES AND COMMISSIONS

The income from fees and commissions is recognised in accordance with the following criteria:

- When they are obtained as the services are provided, their recognition through profit or loss is made in the period to which they refer;
- When they arise from the provision of services, their recognition is made when the service is completed;
- Income from services and commissions that are an integral part of the effective interest rate of a financial instrument are recognised under net interest income.

J) EARNINGS FROM TRADING ACTIVITY

Income and costs related to financial transactions include gains and losses arising from foreign currency marketing transactions and the conversion into national currency of monetary items in foreign currency.

This heading also records the gains and losses of securities classified as available for sale, and the dividends associated to these portfolios.

K) DIVIDENDS

Dividends are recognised as a liability for the period when they are declared. Also, dividends are recognised in profit or loss for the year when they are declared in favour of the Group.

L) OTHER TANGIBLE ASSETS

Other tangible assets are recorded at acquisition cost minus accumulated depreciation and impairment losses.

Subsequent costs are recognised only when it is probable that future economic benefits will be received by the Group.

Expenses related to maintenance and repair are recognised as they are incurred.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Properties	50
Works on rented buildings (*)	10
Basic	4 to 10
Other tangible assets	3

(*) For buildings of the subsidiary Seguradora Internacional de Moçambique, S.A., the number of years is 25.

Whenever there is indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss should be recognised whenever the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined based on the higher figure between the value in use of the assets and fair value minus selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and business risks.

M) INTANGIBLE ASSETS

The intangible assets acquired by the Group are recorded at their historical cost minus the accumulated amortisation and impairment losses.

Amortisation is imputed to the profit or loss account pursuant to the straight-line criteria during the estimated useful life of the intangible assets.

Software

The Group records the costs associated to software acquired from third party entities as intangible assets, and amortises them on a linear basis over the estimated period of useful life of 3 years. The Group does not capitalise internal costs arising from software development.

Goodwill

The goodwill of the acquisition of the subsidiary is presented under intangible assets. The initial measurement represents the difference between the paid value and the fair value of the subsidiary's assets.

After the initial recognition, the goodwill is measured at cost minus accumulated impairment losses.

N) INVESTMENT PROPERTIES

Investments properties are initially recognised at acquisition cost, including transaction costs and are subsequently measured at fair value. The fair value of the investment property should reflect the market conditions on the reporting date. Changes in fair value are recognised through profit or loss for the year under Other operating income.

O) INVESTMENTS DUE TO RECOVERED LOANS

Investments due to recovered loans include real estate properties arising from the dissolution of Customer loan contracts. These assets are recorded under the heading of Other assets, and are initially recognised at the lower figure between the fair value and book value of the loan as at the date when the asset was given in lieu of repayment.

The fair value is based on the market value, and determined based on the expected selling price estimated through periodic valuations performed by specialised external entities upon request of the Group.

The subsequent measurement of these assets is determined based on the lower figure between the book value and the corresponding current fair value net of expenses, and is not subject to depreciation.

When existent, unrealised losses should be recorded as impairment losses against profit or loss for the year.

P) CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the values recorded in the balance sheet with maturity less than three months counted as of the reporting date, which include cash and deposits in other credit institutions.

Cash and cash equivalents exclude the compulsory deposits at Banco de Moçambique.

Q) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are converted at the exchange rate in force on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted at the exchange rate on the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss.

Non-monetary assets and liabilities denominated in foreign currency which are assessed at their historical cost, are converted at the exchange rate in force on the date of the corresponding movement.

R) OFFSETING

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

S) EMPLOYEE BENEFITS

(i) Defined benefit plan

The Group attributes its Employees a defined benefit plan, for which it has insurance managed by its subsidiary Seguradora Internacional de Moçambique, S.A.

For the benefit plan, the Group finances a redeemed pension that is guaranteed to its Employees through a supplementary retirement pension, which operates on an autonomous basis.

The redeemed pension will be attributed to current Employees recruited up to 31 December 2011, when they reach 60 years old in the case of men and 55 years old in the case of women, where it is a compulsory condition that the Employee is already receiving a retirement pension attributed by the National Social Security Institute (INSS) or should the Executive Commission decide so.

The Group's net liability related to the defined pension plan is estimated annually, as at 31 December.

The Group's net liability relative to the plan is calculated through estimation of the value of the future benefits that each employee should receive in return for their work during the current period and past periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.

The net liability is determined after deduction of the fair value of the assets covering the liabilities.

The Group calculates the interest income/cost related to the pension plan by multiplying the net asset/liability related to retirement pensions (liabilities minus the fair value of the fund's assets) by the discount rate used to determine the liabilities related to the aforesaid plan. On this basis, the net income/cost of interest includes the cost of interest associated to retirement pension liabilities and the expected income of the fund's assets, where both are measured based on the discount rate used to calculate the liabilities.

Remeasurement gains and losses, namely (i) actuarial gains and losses, arising from differences between the actuarial assumptions used and the values that are actually observed (experience gains and losses) and from changes to actuarial assumptions and (ii) gains and losses arising from the difference between the expected income of the assets and the values obtained are recognised against equity under the heading of other comprehensive income.

The Group recognises, in its income statement, a net total value which includes (i) the current service cost, (ii) the net income/cost of interest related to the pension plan, (iii) the effect of early retirement, (iv) costs related to past services and (v) the effects of any settlement or cut occurred in the period. The net income/cost of the pension plan is recognised as interest and similar income or interest and similar costs, according to their nature. Costs related to early retirement correspond to the increased liabilities arising from retirement occurring before the employee has reached retirement age.

(ii) Short-term employee benefits

Short-term benefits consist of wages and any non-monetary benefits, such as medical assistance contributions, and are measured on a non-discounted basis and recorded as an expense when the related service is provided.

A liability is recognised at the value payable if the Group has a legal or constructive present obligation to pay this value as a result of past service provided by the Employee, and the obligation can be estimated reliably.

(iii) Termination of benefits

The benefits inherent to termination of labour relations (severance pay) are recognised as a cost when the Group is not in a position to be able to revoke formally undertaken commitments before the retirement date or when related to negotiated benefits, arising from the Employee's voluntary termination of the contract.

When it is not expected that the benefits will be settled within a period of 12 months, they are discounted.

T) INCOME TAXES

The Group and its subsidiary based in Mozambique are subject to the tax system stipulated in the Income Tax Code, whereby the profit imputable to each year is subject to Corporate Income Tax (IRPC).

Income tax is recorded through profit or loss.

Income tax is recognised in the income statement, unless related to items recorded under equity, which implies its recognition under equity (namely financial assets available for sale).

Current tax corresponds to the expected amount payable on the taxable income for the year, using the tax rates prescribed by the law, or that are in force on the reporting date, and any adjustments to the tax of previous periods.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the book values of the assets and liabilities and their tax base, using the tax rates approved or substantially approved on the reporting date and which are expected to be applied when the temporary differences are reversed.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group compensates, as established in IAS 12, paragraph 74 the deferred tax assets and liabilities if, and only if: (i) it has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities wishing to either settle current tax liabilities and assets on a net basis, or realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

U) SEGMENTAL REPORTING

A business segment is an identifiable component of the Group engaged in providing an individual product or service or a group of related products or services, and that is subject to risks and returns that are different from those of other business segments.

The Group controls its activity through the following major segments:

- Retail Banking;
- Prestige;
- Corporate Banking; and
- Insurance.

V) PROVISIONS

Provisions are recognised when (i) the Group has a present obligation, legal or constructive, resulting from past events, (ii) it is probable that its payment will be required and (iii) a reliable estimate can be made of the value of this obligation.

The measurement of provisions takes into account the principles set out in IAS 37 regarding the best estimate of the expected cost, the most likely profit or loss of ongoing operations, and taking into account the risks and uncertainties inherent in the process. In cases where the effect of discounting is material, the provisions corresponding to the present value of expected future payments are discounted at a rate that considers the associated risk of the obligation.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, being reversed through profit or loss in the proportion of the payments that are not probable.

Provisions are derecognised through their use for the obligations for which they were initially constituted or in cases where there is no longer an obligation.

Changes in these assumptions could materially affect these values.

W) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to the Bank's Shareholders by the average number of ordinary shares issued.

X) INSURANCE POLICIES

The Group issues policies which include insurance risk, financial risk or a combination of insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate the insured party in the event of a specific uncertain future event adversely affecting the insured party, is classified as an insurance contract.

A contract issued by the Group whose transferred insurance risk is not significant, but whose transferred financial risk is significant with discretionary participation in profit, is considered an investment contract, recognised and measured in accordance with the accounting policies applicable to insurance contracts.

A contract issued by the Group that transfers only financial risk, without discretionary participating features, is classified as an investment contract and accounted for as a financial instrument.

Insurance contracts and investment contracts with discretionary participation in profit are recognised and measured as follows:

(i) Premiums

Gross premiums issued are recorded as income for the year to which they refer, regardless of when they are received or paid, in accordance with the accrual and deferral principle.

Assigned reinsurance premiums are recorded as costs for the year to which they refer in the same way as gross premiums issued.

Provision for non-acquired direct insurance and assignment of reinsurance premiums

The provision for non-acquired premiums is based on the evaluation of the premiums issued before the end of the year, but whose validity continues after this date. This provision is calculated using the *pro-rata temporis* method, applied to each receipt in force.

(ii) Provision for claims

The provision for claims corresponds to the expected value of costs related to claims that have not yet been settled or have already been settled but have not yet been paid by the end of the year.

This provision was determined as follows:

- Based on the analysis of the outstanding claims at the end of the year and consequent estimated liability existing on that date; and
- Through the provision, based on statistical data, of values of costs related to claims for the year, in order to meet liabilities related to claims declared after the closing of the year (IBNR).

The mathematical reserve of the work accidents branch is calculated for pensions that have already been homologated by the Labour Court and for estimates arising from proceedings whose injured parties are in a situation of "clinical cure".

(iii) Provision for profit sharing

Provision for profit sharing to be attributed (shadow accounting):

Unrealised gains and losses on the assets covering liabilities arising from insurance and investment contracts with discretionary profit sharing is attributed to policyholders, in proportion to their estimated share, based on the expectation that they will receive these unrealised gains and losses when they are realised, through the recognition of a liability.

The estimated amounts to be attributed to insurance policyholders under the form of profit-sharing, for each modality or group of modalities, is calculated based on a suitable plan applied consistently, taking into account the profit-sharing plan, the maturity of the commitments, the allocated assets as well as other specific variables of the modality or modalities in question.

Provision for attributed profit sharing:

Corresponds to the amounts attributed to insurance policyholders or to the beneficiaries of the contracts, as profit sharing, and when it has not yet been distributed, namely through inclusion in the mathematical provision of the contracts.

2. NET INTEREST INCOME

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
INTEREST AND SIMILAR INCOME				
Interest on loans and advances	**7,243,689**	6,466,998	**7,243,689**	6,466,998
Interest on deposits and other investments	**73,235**	138,418	**70,330**	132,873
Interest on securities available for sale	**1,274,844**	736,580	**1,063,551**	574,039
	8,591,768	7,341,996	**8,377,570**	7,173,910
INTEREST AND SIMILAR COSTS				
Interest on deposits and other funds	**2,628,067**	2,155,131	**2,691,298**	2,203,353
Interest on securities issued	**117,681**	126,508	**130,095**	139,515
Other similar costs and interest	**46**	2,104	**46**	2,104
	2,745,794	2,283,743	**2,821,439**	2,344,972
NET INTEREST INCOME	**5,845,974**	5,058,253	**5,556,131**	4,828,938

3. INCOME FROM EQUITY INSTRUMENTS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Income from investments in subsidiaries	**-**	-	**215,378**	211,666
Income from securities available for sale	**1,820**	1,974	**-**	-
	1,820	1,974	**215,378**	211,666

The heading of Income from equity instruments corresponds, for the Bank, to dividends received from the financial holding in Seguradora Internacional de Moçambique, S.A. and, for the Group, to dividends received from the other stakes held by Seguradora Internacional de Moçambique, S.A.

4. EARNINGS FROM FEES AND COMMISSIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
BANKING SERVICES RENDERED				
From guarantees provided	**478,925**	416,873	**478,925**	416,873
From banking services rendered	**930,999**	843,544	**983,482**	892,196
Insurance activity commissions	**58,765**	55,502	**-**	-
Other commissions	**633,259**	606,677	**633,259**	606,677
	2,101,948	1,922,596	**2,095,666**	1,915,746
BANKING SERVICES RECEIVED				
From guarantees provided	**32,681**	31,867	**32,681**	31,867
From banking services rendered	**3**	110	**-**	110
Insurance activity commissions	**67,312**	52,398	**-**	-
Other commissions	**120,026**	113,339	**120,026**	113,339
	220,022	197,714	**152,707**	145,316
NET FEES AND COMMISSION INCOME	**1,881,926**	1,724,882	**1,942,959**	1,770,430

5. EARNINGS FROM TRADING ACTIVITY

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
PROFITS FROM FINANCIAL TRANSACTIONS				
Foreign exchange transactions	**1,011,228**	851,842	**941,877**	812,860
Other transactions	**-**	-	**7,488**	-
	1,011,228	851,842	**949,365**	812,860
LOSSES FROM FINANCIAL TRANSACTIONS				
Foreign exchange transactions	**48,664**	65	**9,890**	65
Other transactions	**1,497**	12,198	**1,497**	-
	50,161	12,263	**11,387**	65
	961,067	839,579	**937,978**	812,795

6. OTHER NET OPERATING INCOME

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
OTHER OPERATING INCOME				
Income from real estate properties	**11,094**	12,319	**3,566**	2,502
Income from services	**14,268**	23,543	**65,213**	66,878
Reimbursement of expenses	**142,166**	143,105	**142,166**	143,105
Insurance premiums	**1,150,791**	1,111,729	**-**	-
Other operating income	**40,277**	243,021	**28,506**	247,854
	1,358,596	1,533,717	**239,451**	460,339
OTHER OPERATING COSTS				
Taxes	**26,065**	18,216	**25,236**	16,877
Donations and quotizations	**17,922**	15,365	**17,922**	15,365
Costs related to claims	**381,867**	494,021	**-**	-
Other operating costs	**32,713**	41,376	**28,595**	12,375
	458,567	568,978	**71,753**	44,617
	900,029	964,739	**167,698**	415,722

In December 2013, the value of other income includes the earnings from the sale of two real estate properties of the value of 228,000 thousand meticais at the Bank and 215,000 thousand meticais in the Group.

7. STAFF COSTS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Remunerations	**1,811,590**	1,670,365	**1,677,949**	1,543,828
Mandatory social security charges	**66,265**	62,384	**56,505**	53,198
Voluntary social security charges	**50,578**	40,596	**101,853**	90,701
Other staff costs	**6,521**	7,202	**4,615**	4,625
	1,934,954	1,780,547	**1,840,922**	1,692,352

The average number of Employees working in the Group and Bank, distributed by major professional categories, is demonstrated as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Senior management	**144**	154	**131**	140
Specific/Technical staff	**915**	848	**811**	739
Other positions	**1,403**	1,436	**1,375**	1,417
	2,462	2,438	**2,317**	2,296

The total value of the remunerations attributed by the Group and Bank to the Management and Supervisory bodies during the year ended on 31 December 2014, recorded under the heading of Remunerations, stood at 145,588 thousand meticais and 132,823 thousand meticais, respectively (2013: 133,164 thousand meticais and 125,156 thousand meticais).

The heading of staff costs also includes the costs associated with pension liabilities for the Group and the Bank for the year ended on 31 December 2014 in the amount of 51,117 thousand meticais and 47,729 thousand meticais, respectively. (2013: 48,005 thousand meticais and 44,169 thousand meticais).

8. OTHER ADMINISTRATIVE COSTS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Water, electricity and fuel	**81,561**	76,436	**76,918**	72,179
Consumables	**96,754**	100,136	**93,272**	98,329
Hire and rental charges	**129,340**	112,732	**189,575**	171,549
Communications	**142,279**	101,896	**139,676**	99,544
Travel, hotel and representation costs	**50,808**	52,259	**49,152**	51,353
Advertising	**91,366**	103,113	**87,702**	95,209
Costs related to independent work	**76,238**	66,548	**50,519**	37,628
Maintenance and repair	**156,158**	134,771	**150,309**	127,745
Insurance	**6,408**	6,439	**64,597**	63,092
Legal and notary services	**9,326**	5,989	**9,302**	5,923
IT and consulting	**677,896**	622,479	**676,694**	621,236
Security and surveillance	**85,039**	80,856	**82,794**	78,664
Cleaning of premises	**26,178**	26,136	**26,178**	26,136
Transport of values	**78,750**	75,748	**78,750**	75,748
Staff training	**15,688**	17,648	**15,688**	17,648
Other third party services	**3,893**	3,606	**920**	807
	1,727,682	1,586,792	**1,792,046**	1,642,790

9. DEPRECIATION AND AMORTISATION FOR THE YEAR

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
INTANGIBLE ASSETS				
Software	**59,433**	39,207	**53,051**	33,193
TANGIBLE ASSETS				
Real estate properties	**106,456**	68,205	**93,534**	55,625
Equipment	**283,608**	266,469	**274,523**	257,302
Furniture	**17,778**	16,406	**16,855**	15,883
Office equipment	**12,200**	10,882	**12,129**	10,723
Computer equipment	**125,105**	133,641	**123,552**	131,942
Interior installations	**39,206**	36,244	**38,999**	35,200
Motor vehicles	**53,946**	52,080	**48,666**	47,118
Security equipment	**32,394**	14,653	**32,394**	14,653
Other equipment	**2,979**	2,563	**1,928**	1,783
Other tangible assets	**33**	33	**33**	33
	390,097	334,707	**368,090**	312,960
	449,530	373,914	**421,141**	346,153

10. CREDIT IMPAIRMENT

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
LOANS GRANTED TO CUSTOMERS				
Net allocation for the year	**577,578**	507,606	**577,578**	507,606
Recovery of loans and interest written off from assets	**(76,896)**	(61,425)	**(76,896)**	(61,425)
	500,682	446,181	**500,682**	446,181

The heading of Credit impairment records the estimated losses incurred as at the date of the end of the year, determined pursuant to the assessment of objective evidence of impairment, as described in Note 1 c).

11. OTHER PROVISIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
PROVISIONS FOR INDIRECT CREDIT RISKS				
Impairment for the year	**202,877**	155,372	**202,877**	155,372
Write-back for the year	**(125,206)**	(138,831)	**(125,206)**	(138,831)
PROVISIONS FOR GENERAL BANKING RISKS				
Impairment for the year	**5,734**	10,466	**5,734**	10,466
Write-back for the year	**(2,614)**	-	**(2,614)**	-
OTHER PROVISIONS				
Impairment for the year	**523**	4,800	**523**	4,800
Write-back for the year	**(520)**	(9,700)	**(520)**	(9,700)
INSURANCE TECHNICAL PROVISIONS				
Impairment for the year	**319,650**	185,578	**-**	-
Write-back for the year	**-**	-	**-**	-
PROVISIONS FOR OTHER ASSETS				
Impairment for the year	**186**	6,240	**186**	-
Write-back for the year	**(2,683)**	(4,948)	**-**	(4,948)
PROVISIONS FOR NON-CURRENT ASSETS HELD FOR SALE				
Impairment for the year	**12,230**	-	**12,230**	-
Write-back for the year	**(3,575)**	-	**(3,575)**	-
	406,600	208,977	**89,634**	17,159

12. TAXES

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Current tax	**841,977**	740,605	**676,293**	601,578
Deferred tax				
Tangible assets	**5,790**	(9,552)	**5,790**	(9,552)
	5,790	(9,552)	**5,790**	(9,552)
TOTAL TAX COSTS	**847,767**	731,053	**682,083**	592,026
RECONCILIATION OF THE EFFECTIVE TAX COST				
NET (LOSS)/INCOME BEFORE INCOME TAX	**4,571,368**	4,193,016	**4,175,719**	3,894,916
Current taxes	**864,990**	786,504	**663,589**	623,187
Tax adjustments:				
Impact of non-deductible expenses	**10,142**	9,061	**9,192**	8,201
Impact of non-deductible costs	**8,735**	18,273	**8,188**	15,570
Revenue exempt from tax or not taxable	**(7,094)**	(3,065)	**(5,193)**	(3,065)
Amortisation of deferred cost	**(5,131)**	(4,563)	**(5,131)**	(4,563)
Tax benefits	**(36,955)**	(36,690)	**(36,955)**	(37,751)
Income from securities from Public Debt – Withholding tax	**(264,157)**	(54,556)	**(170,413)**	-
Tax at withholding interest rate from Public Debt	**271,447**	16,717	**213,016**	-
TAX COST	**841,977**	740,605	**676,293**	601,578

The Bank, under the customs and tax benefits established in the Tax Benefit Code in Mozambique (CBFM), approved by Decree number 12/93, of 21 July, benefits from a 50% reduction in the tax rates applied to the final profit distributable to the shareholders, during the recovery period of the investment that has effectively been made.

13. EARNINGS PER SHARE

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Net income	**3,677,927,735**	3,424,570,207	**3,493,636,411**	3,302,890,000
Number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
EARNINGS PER SHARE	**81.73**	76.10	**77.64**	73.40

14. CASH AND DEPOSITS AT BANCO DE MOÇAMBIQUE

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Cash	**2,932,712**	2,635,902	**2,932,712**	2,635,902
Banco de Moçambique	**5,560,483**	4,393,562	**5,560,483**	4,393,562
	8,493,195	7,029,464	**8,493,195**	7,029,464

The balance of deposits at Banco de Moçambique seek to comply with the legal requirements on minimum cash reserves, calculated based on the amount of deposits and other effective liabilities.

The requirement on the constitution of cash reserves, pursuant to Banco de Moçambique Notice number 02/GBM/2012 establishes the maintenance of a deposit balance at Banco de Moçambique, equivalent to 8% of the daily average amount of deposits and other liabilities.

15. CURRENT ACCOUNT DEPOSITS WITH FINANCIAL INSTITUTIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Domestic credit institutions	**121,474**	166,883	**119,746**	166,883
Credit institutions abroad	**3,096,180**	2,491,119	**3,096,180**	2,491,119
	3,217,654	2,658,002	**3,215,926**	2,658,002

The heading of Deposits in credit institutions in the country includes collectible values of 99,404 thousand meticais, for the Bank and for the Group, which essentially represent cheques drawn by third parties in other credit institutions under collection as at 31 December 2014 (2013: 83,319 thousand meticais).

Breakdown of Deposits in other credit institutions abroad by currency:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
USD	**2,826,482**	2,311,943	**2,826,482**	2,311,943
CAD	**961**	-	**961**	-
ZAR	**-**	97,624	**-**	97,624
DKK	**411**	250	**411**	250
GBP	**14,257**	2,149	**14,257**	2,149
JPY	**1,110**	696	**1,110**	696
NOK	**5,128**	3,653	**5,128**	3,653
SFK	**1,800**	278	**1,800**	278
CHF	**1,927**	5,989	**1,927**	5,989
EUR	**243,376**	68,147	**243,376**	68,147
AUD	**728**	391	**728**	391
	3,096,180	2,491,119	**3,096,180**	2,491,119

16. PLACEMENTS (TERM DEPOSITS) WITH FINANCIAL INSTITUTIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Investments in domestic credit institutions	**1,583,907**	4,533,989	**1,582,123**	4,445,269
Investments in credit institutions abroad	**2,326,725**	2,786,594	**2,326,725**	2,786,594
	3,910,632	7,320,583	**3,908,848**	7,231,863

17. LOANS TO CUSTOMERS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Asset-backed loans	**15,280,992**	13,347,895	**15,280,992**	13,347,895
Personal guaranteed loans	**28,813,787**	23,749,227	**28,813,787**	23,749,227
Unsecured loans	**7,556,008**	4,804,891	**7,556,008**	4,804,891
Public sector	**3,882,779**	4,283,066	**3,882,779**	4,283,066
Loans under financial leasing	**2,614,680**	3,030,084	**2,614,680**	3,030,084
Loans taken in factoring operations	**305,777**	734,352	**305,777**	734,352
	58,454,023	49,949,515	**58,454,023**	49,949,515
Overdue loans – less than 90 days	**177,426**	87,297	**177,426**	87,297
Overdue loans – more than 90 days	**1,299,990**	853,196	**1,299,990**	853,196
	59,931,439	50,890,008	**59,931,439**	50,890,008
Impairment for credit risks	**(3,136,763)**	(2,969,375)	**(3,136,763)**	(2,969,375)
	56,794,676	47,920,633	**56,794,676**	47,920,633

The analysis of loans to Customers by type of operation is as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
SHORT-TERM				
Loans represented by discounted bills	**2,397,450**	2,213,371	**2,397,450**	2,213,371
Current account credits	**5,530,067**	5,404,036	**5,530,067**	5,404,036
Overdrafts	**2,376,737**	2,571,622	**2,376,737**	2,571,622
Loans	**5,595,507**	3,666,813	**5,595,507**	3,666,813
Mortgage loans	**560**	2,449	**560**	2,449
Finance leases	**183,434**	173,195	**183,434**	173,195
Loans taken in factoring operations	**305,777**	734,352	**305,777**	734,352
	16,389,532	14,765,838	**16,389,532**	14,765,838
MEDIUM AND LONG-TERM				
Loans represented by discounted bills				
Loans	**39,633,806**	32,329,238	**39,633,806**	32,329,238
Mortgage loans	**163,304**	145,829	**163,304**	145,829
Finance leases	**2,267,382**	2,708,610	**2,267,382**	2,708,610
	42,064,492	35,183,677	**42,064,492**	35,183,677
Overdue loans – less than 90 days	**177,426**	87,297	**177,426**	87,297
Overdue loans – more than 90 days	**1,299,990**	853,196	**1,299,990**	853,196
	1,477,416	940,493	**1,477,416**	940,493
Impairment for credit risks	**(3,136,763)**	(2,969,375)	**(3,136,763)**	(2,969,375)
	56,794,676	47,920,633	**56,794,676**	47,920,633

The analysis of loans to Customers by activity sector is as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Agriculture and forestry	**1,965,463**	1,759,337	**1,965,463**	1,759,337
Mining	**1,908,895**	1,997,766	**1,908,895**	1,997,766
Food, beverage and tobacco	**954,957**	962,442	**954,957**	962,442
Textiles	**5,129**	5,637	**5,129**	5,637
Printing and publishing	**114,354**	88,865	**114,354**	88,865
Chemicals	**475,974**	480,114	**475,974**	480,114
Machinery and equipment	**1,374,248**	1,309,341	**1,374,248**	1,309,341
Electricity, water and gas	**3,439,104**	2,900,216	**3,439,104**	2,900,216
Construction	**9,501,578**	6,071,634	**9,501,578**	6,071,634
Trade	**8,970,155**	6,837,994	**8,970,155**	6,837,994
Restaurants and hotels	**1,231,557**	1,151,107	**1,231,557**	1,151,107
Transport and communications	**3,660,343**	3,833,510	**3,660,343**	3,833,510
Services	**7,185,761**	5,385,478	**7,185,761**	5,385,478
Consumer credit	**12,475,157**	11,018,914	**12,475,157**	11,018,914
Mortgage loans	**990,080**	975,272	**990,080**	975,272
Mozambican State	**4,636,710**	5,134,231	**4,636,710**	5,134,231
Other activities	**1,041,974**	978,150	**1,041,974**	978,150
	59,931,439	50,890,008	**59,931,439**	50,890,008
Impairment for credit risks	**(3,136,763)**	(2,969,375)	**(3,136,763)**	(2,969,375)
	56,794,676	47,920,633	**56,794,676**	47,920,633

The portfolio of loans to Customers includes restructured loans that have been formally negotiated with Customers, in order to reinforce guarantees, extend the repayment date or change the interest rate. The analysis of restructured loans by activity sector is as follows:

Thousand MZN

	2014	2013
Agriculture and forestry	**698,141**	19,571
Food, beverage and tobacco	**79,778**	93,760
Textiles	**5,066**	5,161
Printing and publishing	**9,357**	10,874
Chemicals	**20,084**	21,239
Machinery and equipment	**10,483**	10,507
Electricity, water and gas	**9,029**	10,121
Construction	**25,472**	46,608
Trade	**105,100**	524,023
Restaurants and hotels	**34,820**	37,140
Transport and communications	**30,413**	30,413
Services	**61,804**	35,510
Consumer credit	**152,626**	117,321
Mortgage loans	**5,792**	15,411
Other activities	**30,941**	31,952
	1,278,907	1,009,611

The analysis of overdue loans, by type of credit, is as follows:

Thousand MZN

	2014	2013
Asset-backed loans	**341,239**	99,180
Personal guaranteed loans	**838,268**	599,987
Unsecured loans	**167,824**	148,394
Public sector	**39**	28
Loans under financial leasing	**92,009**	92,904
Loans taken in factoring operations	**38,037**	-
	1,477,416	940,493

The analysis of overdue loans by sector of activity is as follows:

Thousand MZN

	2014	2013
Agriculture and forestry	**24,828**	23,557
Mining	**9**	269
Food, beverage and tobacco	**21,342**	28,011
Textiles	**36**	275
Printing and publishing	**779**	1,075
Chemicals	**42**	4
Machinery and equipment	**293**	129
Electricity, water and gas	**762**	-
Construction	**59,601**	47,659
Trade	**58,115**	77,718
Restaurants and hotels	**16,705**	10,279
Transport and communications	**401,879**	37,257
Services	**67,590**	57,566
Consumer credit	**819,400**	639,175
Mortgage loans	**3,857**	5,237
Mozambican State	**39**	28
Other activities	**2,139**	12,254
	1,477,416	940,493

The movements of impairment for credit risk are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	2014	2013
Balance on 1 January	**2,969,375**	2,845,442	**2,969,375**	2,845,442
Net allocation for the year	**577,578**	507,606	**577,578**	507,606
Transfers	**(24,435)**	-	**(24,435)**	-
Amounts charged-off	**(422,085)**	(387,285)	**(422,085)**	(387,285)
Exchange rate differences	**36,330**	3,612	**36,330**	3,612
BALANCE ON 31 DECEMBER	**3,136,763**	2,969,375	**3,136,763**	2,969,375

The table below shows the breakdown of impairment for credit risks by default category as at 31 December 2014:

Thousand MZN

	Classes of overdue			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	560,692	82,006	666,893	1,309,591
Existing impairment	105,362	49,143	528,335	682,840
Unsecured overdue loans	34,742	34,068	99,015	167,825
Existing impairment	20,960	26,611	77,107	124,678
TOTAL OVERDUE LOANS	595,434	116,074	765,908	1,477,416
Total impairment for overdue loans	126,322	75,754	605,442	807,518
Total impairment for outstanding loans				2,329,245
TOTAL IMPAIRMENT FOR CREDIT RISKS				3,136,763

The table below shows the breakdown of impairment for credit risks by default category as at 31 December 2013:

Thousand MZN

	Classes of overdue			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	101,915	127,522	562,661	792,098
Existing impairment	54,790	65,284	480,440	600,514
Unsecured overdue loans	23,180	32,371	92,844	148,395
Existing impairment	18,176	25,733	73,956	117,864
TOTAL OVERDUE LOANS	125,095	159,893	655,505	940,493
Total impairment for overdue loans	72,966	91,017	554,396	718,379
Total impairment for outstanding loans				2,250,996
TOTAL IMPAIRMENT FOR CREDIT RISKS				2,969,375

The analysis of the impairment by activity sector is as follows:

Thousand MZN

	2014	2013
Agriculture and forestry	**162,409**	150,453
Mining	**37,959**	40,094
Food, beverage and tobacco	**48,529**	98,733
Textiles	**105**	329
Printing and publishing	**2,918**	8,300
Chemicals	**9,482**	9,618
Machinery and equipment	**41,644**	30,053
Electricity, water and gas	**69,548**	66,347
Construction	**250,032**	209,878
Trade	**346,921**	309,687
Restaurants and hotels	**31,146**	32,783
Transport and communications	**247,691**	143,972
Services	**235,330**	196,472
Consumer credit	**1,459,778**	1,469,385
Mortgage loans	**55,864**	74,294
Mozambican State	**92,101**	101,604
Other activities	**45,306**	27,373
	3,136,763	2,969,375

The impairment for credit risk, by type of credit, is analysed as follows:

Thousand MZN

	2014	2013
Asset-backed loans	**725,939**	550,565
Personal guaranteed loans	**1,813,250**	1,859,010
Unsecured loans	**301,951**	249,961
Public sector	**77,092**	84,585
Loans under financial leasing	**209,064**	210,636
Loans taken in factoring operations	**9,467**	14,617
	3,136,763	2,969,375

The annulment of loans through use of provisions by activity sector is as follows:

Thousand MZN

	2014	2013
Agriculture and forestry	19,672	2,957
Mining	-	5
Food, beverage and tobacco	14	8
Textiles	-	6,514
Paper, printing and publishing	-	314
Machines and equipment	15	2,879
Construction	29,305	2,634
Trade	45,306	35,504
Restaurants and hotels	93	1,957
Transport and communications	1,872	3,108
Services	28,089	21,736
Consumer credit	285,314	299,677
Mortgage loans	70	199
Other activities	12,335	9,793
	422,085	387,285

The annulment of loans through use of the respective provision, analysed by type of credit, is as follows:

Thousand MZN

	2014	2013
Personal guaranteed loans	353,333	283,435
Unsecured loans	68,752	103,850
	422,085	387,285

The recovery of annulled loans and interest during the year or in previous years, carried out during 2014, presented by type of credit, is as follows:

Thousand MZN

	2014	2013
Personal guaranteed loans	41,545	36,763
Unsecured loans	35,352	24,662
	76,897	61,425

18. FINANCIAL ASSETS AVAILABLE FOR SALE

The heading of Financial assets available for sale is analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	2014	2013
BONDS AND OTHER FIXED INCOME SECURITIES				
Issued by Government and public entities	23,738,615	16,271,545	22,162,809	14,827,126
	23,738,615	16,271,545	22,162,809	14,827,126
Shares and other variable income securities	46,502	44,484	30,619	30,619
Impairment of shares and other variable income securities	(7,098)	(7,098)	(7,098)	(7,098)
	23,778,019	16,308,931	22,186,330	14,850,647

The heading of Financial assets available for sale essentially corresponds to securities issued by the State of Mozambique, in particular Treasury Bills and Treasury Bonds.

There were no movements of impairment of the portfolio of financial assets available for sale.

19. INVESTMENTS IN SUBSIDIARIES

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
SUBSIDIARY				
Seguradora Internacional de Moçambique, S.A.	-	-	**356,148**	356,148
	-	-	**356,148**	356,148

The investment in the subsidiary Seguradora Internacional de Moçambique S.A., of the value of 356,148 thousand meticais, corresponds to the acquisition cost of the holding. As at 31 December 2014, the equity of the subsidiary amounted to 1,786,586 thousand meticais.

As at 31 December 2014, the Bank's percentage holding in the subsidiary is demonstrated as follows:

Thousand MZN

	Head office	Share capital	Economic activity	Holding (%)	Consolidation method
SUBSIDIARY					
Seguradora Internacional de Moçambique, S.A.	Maputo	147,500,000	Insurance	89.91	Full (*)

(*) For the purpose of reporting to Banco de Moçambique and in compliance with Notice nr. 08/GBM/2007, the Bank consolidates through the equity method.

The Group's holding in SIM – Seguradora Internacional de Moçambique did not undergo changes when compared to the previous year.

As at 31 December 2014, the Group's percentage holding in the associates is demonstrated as follows:

Thousand MZN

	Head office	Share capital	Economic activity	Effective holding (%)		Book balance sheet	
				Dec.14	Dec.13	**Dec.14**	Dec.13
ASSOCIATE							
Constellation, S.A.	Maputo	1,053,500	Management real estate	**17.98**	17.98	**250,208**	250,208
Beira Nave	Beira	2,850	Shipyards	**20.54**	20.54	**17,049**	17,049
						267,258	267,258

20. NON-CURRENT ASSETS HELD FOR SALE

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
INVESTMENTS DUE TO RECOVERED LOANS				
Real estate properties	**1,025,104**	612,932	**1,025,104**	612,932
Equipment and other	**7,830**	15,193	**7,830**	15,193
	1,032,934	628,125	**1,032,934**	628,125
Impairment	**(143,356)**	(118,853)	**(143,356)**	(118,853)
	889,578	509,272	**889,578**	509,272

The movements for impairment for non-current assets held for sale are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Balance on 1 January	**118,853**	125,023	**118,853**	125,023
Impairment for the year	**12,230**	-	**12,230**	-
Reversal for the year	**(3,575)**	-	**(3,575)**	-
Uses	**(9,182)**	(6,170)	**(9,182)**	(6,170)
Transfers	**25,029**	-	**25,029**	-
BALANCE ON 31 DECEMBER	**143,356**	118,853	**143,356**	118,853

21. OTHER TANGIBLE ASSETS

The movements under the heading of Other tangible assets during 2014, for the Group and for the Bank, are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Real estate properties	**4,058,783**	1,269,987	**3,221,194**	592,201
Works in rented buildings	**620,902**	619,192	**620,902**	619,192
Equipment				
Furniture	**312,190**	253,685	**306,519**	247,878
Office equipment	**147,145**	141,559	**143,869**	138,169
Computer equipment	**1,389,932**	1,240,577	**1,377,729**	1,228,352
Interior installations	**562,558**	515,474	**559,426**	512,341
Motor vehicles	**365,759**	354,495	**327,330**	319,561
Security equipment	**241,858**	219,250	**241,858**	219,250
Other tangible assets	**52,339**	47,343	**42,221**	40,461
Investments in progress	**271,939**	2,288,807	**271,937**	2,288,806
	8,023,405	6,950,369	**7,112,985**	6,206,211
ACCUMULATED DEPRECIATION AND IMPAIRMENT	**(2,767,702)**	(2,427,467)	**(2,574,434)**	(2,251,836)
	5,255,703	4,522,902	**4,538,551**	3,954,375

The movements under the heading of Other tangible assets, during 2014, for the Group, are analysed as follows:

Thousand MZN

	Balance at 1 January 2014	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2014
COST					
Real estate properties	1,269,987	178,225	-	2,610,571	4,058,783
Works in rented buildings	619,192	5,801	(102,803)	98,712	620,902
Equipment					
Furniture	253,685	12,046	(794)	47,252	312,189
Office equipment	141,559	5,715	(128)	-	147,146
Computer equipment	1,240,577	30,603	(341)	119,092	1,389,931
Interior installations	515,474	36,508	(168)	10,745	562,559
Motor vehicles	354,495	29,141	(17,877)	-	365,759
Security equipment	219,250	18,677	-	3,933	241,860
Other tangible assets	47,343	5,044	(49)	-	52,338
Fixed assets in progress	2,288,807	873,436	-	(2,890,305)	271,938
	6,950,369	1,195,196	(122,160)	-	8,023,405
ACCUMULATED DEPRECIATION					
Real estate properties	(252,326)	(59,934)	-	-	(312,260)
Works in rented buildings	(272,384)	(46,925)	31,031	-	(288,278)
Equipment					-
Furniture	(151,040)	(17,375)	628	-	(167,787)
Office equipment	(104,921)	(12,200)	72	-	(117,049)
Computer equipment	(986,365)	(125,105)	269	1	(1,111,200)
Interior installations	(268,599)	(39,206)	60	-	(307,745)
Motor vehicles	(227,377)	(53,946)	17,764	-	(263,559)
Security equipment	(127,564)	(32,394)	-	(1)	(159,959)
Other tangible assets	(36,891)	(3,013)	39	-	(39,865)
	(2,427,467)	(390,097)	49,863	-	(2,767,702)

The movements under the heading of Other tangible assets, during 2013, for the Group, are analysed as follows:

Thousand MZN

	Balance at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2013
COST					
Real estate properties	1,329,247	2,241	(117,365)	55,864	1,269,987
Works in rented buildings	564,021	2,066	-	53,105	619,192
Equipment					
Furniture	242,067	10,117	(51)	1,552	253,685
Office equipment	132,642	8,917	-	-	141,559
Computer equipment	1,197,534	25,006	(6,855)	24,892	1,240,577
Interior installations	466,008	26,565	(58)	22,959	515,474
Motor vehicles	318,661	63,917	(28,083)	-	354,495
Security equipment	196,275	22,390	-	585	219,250
Other tangible assets	45,812	1,445	-	86	47,343
Fixed assets in progress	1,583,446	864,404	-	(159,043)	2,288,807
	6,075,713	**1,027,068**	**(152,412)**	**-**	**6,950,369**
ACCUMULATED DEPRECIATION					
Real estate properties	(253,468)	(27,646)	28,788	-	(252,326)
Works in rented buildings	(231,825)	(40,559)	-	-	(272,384)
Equipment					-
Furniture	(134,661)	(16,406)	27	-	(151,040)
Office equipment	(94,039)	(10,882)	-	-	(104,921)
Computer equipment	(858,282)	(133,641)	5,558	-	(986,365)
Interior installations	(232,413)	(36,244)	58	-	(268,599)
Motor vehicles	(199,861)	(52,080)	24,564	-	(227,377)
Security equipment	(112,911)	(14,653)	-	-	(127,564)
Other tangible assets	(34,295)	(2,596)	-	-	(36,891)
	(2,151,755)	**(334,707)**	**58,995**	**-**	**(2,427,467)**

The movements under the heading of Other tangible assets, during 2014, for the Bank, are analysed as follows:

Thousand MZN

	Balance at 1 January 2014	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2014
COST					
Real estate properties	592,201	18,422	-	2,610,571	3,221,194
Works in rented buildings	619,192	5,801	(102,803)	98,713	620,902
Equipment					
Furniture	247,878	11,939	(551)	47,253	306,519
Office equipment	138,169	5,700	-	-	143,869
Computer equipment	1,228,352	30,357	(72)	119,092	1,377,729
Interior installations	512,341	36,508	(168)	10,745	559,426
Motor vehicles	319,561	21,749	(13,980)	-	327,330
Security equipment	219,250	18,676	-	3,932	241,858
Other tangible assets	40,461	1,760	-	-	42,221
Fixed assets in progress	2,288,806	873,436	-	(2,890,305)	271,937
	6,206,211	**1,024,348**	**(117,574)**	**-**	**7,112,985**
ACCUMULATED DEPRECIATION					
Real estate properties	(119,136)	(46,609)	-	-	(165,745)
Works in rented buildings	(272,384)	(46,925)	31,031	-	(288,278)
Equipment					-
Furniture	(147,859)	(16,855)	456	-	(164,258)
Office equipment	(101,908)	(12,129)	-	-	(114,037)
Computer equipment	(978,539)	(123,552)	72	1	(1,102,017)
Interior installations	(265,674)	(38,999)	60	-	(304,613)
Motor vehicles	(205,896)	(48,666)	13,873	-	(240,689)
Security equipment	(127,564)	(32,394)	-	(1)	(159,959)
Other tangible assets	(32,876)	(1,961)	-	-	(34,837)
	(2,251,836)	**(368,090)**	**45,492**	**-**	**(2,574,434)**

The movements under the heading of Other tangible assets, during 2013, for the Bank, are analysed as follows:

Thousand MZN

	Balance at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2013
COST					
Real estate properties	534,096	2,241	-	55,864	592,201
Works in rented buildings	564,021	2,066	-	53,105	619,192
Equipment					
Furniture	236,299	10,027	-	1,552	247,878
Office equipment	129,310	8,859	-	-	138,169
Computer equipment	1,184,655	24,951	(6,146)	24,892	1,228,352
Interior installations	464,819	24,621	(58)	22,959	512,341
Motor vehicles	288,125	56,449	(25,013)	-	319,561
Security equipment	196,276	22,389	-	585	219,250
Other tangible assets	39,022	1,353	-	86	40,461
Fixed assets in progress	1,583,443	864,406	-	(159,043)	2,288,806
	5,220,066	**1,017,362**	**(31,217)**	**-**	**6,206,211**
ACCUMULATED DEPRECIATION					
Real estate properties	(104,070)	(15,066)	-	-	(119,136)
Works in rented buildings	(231,825)	(40,559)	-	-	(272,384)
Equipment					-
Furniture	(131,976)	(15,883)	-	-	(147,859)
Office equipment	(91,185)	(10,723)	-	-	(101,908)
Computer equipment	(851,668)	(131,942)	5,071	-	(978,539)
Interior installations	(230,532)	(35,200)	58	-	(265,674)
Motor vehicles	(180,432)	(47,118)	21,654	-	(205,896)
Security equipment	(112,911)	(14,653)	-	-	(127,564)
Other tangible assets	(31,060)	(1,816)	-	-	(32,876)
	(1,965,659)	**(312,960)**	**26,783**	**-**	**(2,251,836)**

22. GOODWILL AND INTANGIBLE ASSETS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
INTANGIBLE ASSETS				
Software	**551,070**	513,624	**492,248**	458,655
Investments in progress	**41,806**	8,412	**28,815**	8,412
	592,876	522,036	**521,063**	467,067
Accumulated depreciation	**(429,839)**	(370,406)	**(389,047)**	(335,996)
	163,037	151,630	**132,016**	131,071
CONSOLIDATION AND REVALUATION DIFFERENCES (GOODWILL)				
Seguradora Internacional de Moçambique, S.A.	**122,313**	122,313	-	-
	285,350	273,943	**132,016**	131,071

The movements under the heading of Goodwill and intangible assets, during 2014, for the Group, are analysed as follows:

Thousand MZN

	Balance at 1 January 2014	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2014
COST					
Software	513,624	37,446	-		551,070
Fixed assets in progress	8,412	33,394	-		41,806
	522,036	70,840	-	-	592,876
Goodwill	122,313	-	-	-	122,313
	644,349	70,840	-	-	715,189
ACCUMULATED DEPRECIATION					
Software	(370,406)	(59,433)	-	-	(429,839)
NET VALUE	273,943	11,407	-	-	285,350

The movements under the heading of Goodwill and intangible assets, during 2013, for the Group, are analysed as follows:

Thousand MZN

	Balance at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2013
COST					
Software	461,761	51,861	-	2	513,624
Fixed assets in progress	1,912	6,502	-	(2)	8,412
	463,673	58,363	-	-	522,036
Goodwill	122,313	-	-	-	122,313
	585,986	58,363	-	-	644,349
ACCUMULATED DEPRECIATION					
Software	(331,199)	(39,207)	-	-	(370,406)
NET VALUE	254,787	19,156	-	-	273,943

The movements under the heading of intangible assets, during 2014, for the Bank, are analysed as follows:

Thousand MZN

	Balance at 1 January 2014	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2014
COST					
Software	458,655	33,592	-	-	492,247
Fixed assets in progress	8,412	20,404	-	-	28,816
	467,067	53,996	-	-	521,063
ACCUMULATED DEPRECIATION					
Software	(335,996)	(53,051)	-	-	(389,047)
NET VALUE	131,071	945	-	-	132,016

The movements under the heading of intangible assets, during 2013, for the Bank, are analysed as follows:

Thousand MZN

	Balance at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance at 31 December 2013
COST					
Software	416,928	41,725	-	2	458,655
Fixed assets in progress	1,912	6,502	-	(2)	8,412
	418,840	48,227	-	-	467,067
ACCUMULATED DEPRECIATION					
Software	(302,803)	(33,193)	-	-	(335,996)
NET VALUE	116,037	15,034	-	-	131,071

Pursuant to the accounting policy described in Note 1 b), the recoverable value of the consolidation differences is assessed annually during the second semester of each year, regardless the existence of signs of impairment or, as established in paragraph 9 of IAS 36, whenever there are signs that the asset under review is impaired.

Pursuant to IAS 36, the recoverable value of goodwill should be the greater figure between its value in use (*i.e.*, the present value of the future cash flows expected from its use) and its fair value minus selling costs. Based on these criteria, in 2014, the Group valued the financial holding for which goodwill is recorded in the assets, having considered, among others, the following factors:

(i) estimate of the future cash flow generated by the subsidiary;
(ii) an expectation of potential changes in the amounts and timing of this cash flow;
(iii) the time value of money;
(iv) a risk premium associated to the uncertainty derived from holding the asset;
(v) other factors associated to the current situation of financial markets.

The valuation was based on duly substantiated assumptions representing the Executive Committee's best estimate of the economic conditions that will affect the subsidiary, the budget and the latest projections approved by this subsidiary and their extrapolation for future periods.

The assumptions for this valuation could change with alterations in economic and market conditions.

The calculation of the estimated value as at 31 December 2014 of the Bank's 89.914% stake in Seguradora Internacional de Moçambique, S.A.R.L. (SIM), subject to the annual goodwill impairment test, considered the historical economic and financial information of SIM, as well as its projection for 2014 and the Budget for the period of 2015 to 2019, provided by this company. The estimated value was prepared based on the application of market multiples [price-to-earnings ratio (PER) and price-to-book value (PBV)] and the dividend discount model (DDM) method. The projected statements have neither been audited nor subject to any adjustments.

The calculation of the estimated value of BIM's financial holding in SIM, and in view of the results arising from the application of the internal valuation methods considered (where the estimates via DDM and PER lead to significantly higher values than the estimated book value of the holding), led to the conclusion that on the present date and according to merely financial criteria, it was not necessary to deduct any impairment from the value of the goodwill as at 31 December 2014.

23. CURRENT TAX ASSETS AND LIABILITIES

Thousand MZN

	Group		Group	
	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
IRPC recoverable	**13,020**	**-**	165,561	-
IRPC payable	**-**	**95,673**	-	273,918
	13,020	**95,673**	**165,561**	**273,918**

Thousand MZN

	Bank		Bank	
	2014		2013	
	Assets	**Liabilities**	Assets	Liabilities
IRPC recoverable	**-**	**-**	141,619	-
IRPC payable	**-**	**95,673**	-	221,059
	-	**95,673**	**141,619**	**221,059**

24. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities were generated by temporary differences of the following nature:

Thousand MZN

	Group		Group	
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	29,402	11,962	35,193	11,963
Financial assets available for sale	-	1,538	-	1,232
Other	-	3,318	2,507	5,825
Deferred tax assets/liabilities	29,402	16,818	37,700	19,020
	12,584		18,680	

Thousand MZN

	Bank		Bank	
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	29,402	-	35,193	-
DEFERRED TAX ASSETS	29,402	-	35,193	-

The movement for the year under the heading of net deferred taxes is as follows:

Thousand MZN

	Group		Group	
	2014	2013	2014	2013
Balance on 1 January	18,680	8,543	35,193	25,641
Impairment for the year	(6,096)	9,552	(5,791)	9,552
Other movements	-	585	-	-
	12,584	18,680	29,402	35,193

25. OTHER ASSETS

Thousand MZN

	Group		Bank	
	2014	2013	2014	2013
Debtors	67,118	34,418	43,051	14,186
Other amounts receivable	-	17,356	59,122	64,363
Prepayments and deferred costs	34,382	23,981	34,242	23,652
Balances receivable of the insurance activity	247,272	153,589	-	-
Miscellaneous accounts	833,450	519,417	832,872	518,851
Reinsurance provisions assigned	87,081	111,263	-	-
	1,269,303	860,024	969,287	621,052
Impairment for other assets	(38,579)	(40,502)	(11,917)	(11,100)
	1,230,724	819,522	957,370	609,952

As at 31 December 2014, the heading of Miscellaneous accounts includes the value of 495,055 thousand meticais (31 December 2013: 461,870 thousand meticais) relative to cheques of Other credit institutions sent for clearing.

The movements under Impairment of other assets, for the Group and for the Bank, are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Balance on 1 January	**40,502**	39,127	**11,100**	15,965
Impairment for the year	**186**	6,240	**186**	-
Reversal for the year	**(2,683)**	(4,948)	**-**	(4,948)
Transfers	**86**	-	**86**	-
Exchange rate fluctuation	**488**	83	**545**	83
BALANCE AT THE END OF THE PERIOD	**38,579**	40,502	**11,917**	11,100

26. AMOUNTS OWED TO OTHER CREDIT INSTITUTIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
RESOURCES OF THE BANCO DE MOÇAMBIQUE				
Short-term loans	**-**	21,059	**-**	21,059
Medium to long-term loans	**38,306**	-	**38,306**	-
RESOURCES OF OTHER CREDIT INSTITUTIONS IN THE COUNTRY				
Demand deposits	**62,777**	55,093	**62,777**	55,093
Short-term loans	**1,103,095**	440,042	**1,103,095**	440,042
RESOURCES OF OTHER CREDIT INSTITUTIONS ABROAD				
Demand deposits	**24,093**	12,347	**24,093**	12,347
Term deposits	**-**	902,400	**-**	902,400
Short-term loans	**34,468**	42,037	**34,468**	42,037
Medium to long-term loans	**840,000**	-	**840,000**	-
	2,102,739	1,472,978	**2,102,739**	1,472,978

27. CUSTOMER DEPOSITS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Demand deposits	**45,399,690**	36,408,484	**45,491,664**	36,439,829
Term deposits	**31,267,954**	27,691,765	**33,419,260**	29,683,884
Other resources	**476,063**	473,498	**476,063**	473,498
	77,143,707	64,573,747	**79,386,987**	66,597,211

28. DEBT SECURITIES ISSUED

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
BONDS				
BIM bonds 2010-2015	**1,025,132**	1,026,201	**1,025,132**	1,026,201
	1,025,132	1,026,201	**1,025,132**	1,026,201

Thousand MZN

Description of the issue	Date of issue	Redemption date	Interest rate %	Nominal value	Repayments	Book value 2014
BIM bonds 2010-2015	15/10/2010	15/10/2015	11.75% (*)	1,000,000	-	1,000,000

(*) Rate corresponding to the rate of the Permanent Facility of Assignment of funds of Banco de Moçambique (FPC), calculated on the second business day prior to the starting date of each interest counting period, plus a spread of 3.5%.

29. PROVISIONS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Provisions for indirect credit	**396,629**	303,801	**396,629**	303,801
Provisions for general banking risks	**47,857**	43,680	**47,857**	43,680
Provisions for other risks and costs	**19,241**	19,239	**19,241**	19,239
Technical provision of the insurance activity	**3,348,183**	3,067,623	**-**	-
	3,811,910	3,434,343	**463,727**	366,720

The movements under the Provisions for indirect credit are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Balance on 1 January	**303,801**	286,486	**303,801**	286,486
Impairment for the year	**202,877**	155,372	**202,877**	155,372
Write-back for the year	**(125,206)**	(138,831)	**(125,206)**	(138,831)
Transfers	**(681)**	-	**(681)**	-
Exchange rate differences	**15,838**	774	**15,838**	774
BALANCE ON 31 DECEMBER	**396,629**	303,801	**396,629**	303,801

The movements under the Provisions for general banking risks are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Balance on 1 January	**43,680**	34,214	**43,680**	34,214
Impairment for the year	**5,734**	10,466	**5,734**	10,466
Write-back for the year	**(2,614)**	-	**(2,614)**	-
Exchange rate differences	**803**	110	**803**	110
Uses for the year	**255**	(1,110)	**255**	(1,110)
BALANCE ON 31 DECEMBER	**47,857**	43,680	**47,857**	43,680

The Provision for general banking risks seek to cover potential contingencies arising from lawsuits underway.

The movements under Provisions for other risks and costs are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Balance on 1 January	**19,239**	24,139	**19,239**	24,139
Impairment for the year	**523**	4,800	**523**	4,800
Reversal for the year	**(521)**	(9,700)	**(521)**	(9,700)
BALANCE ON 31 DECEMBER	**19,241**	19,239	**19,241**	19,239

The heading of Technical provisions for the insurance activity includes: (i) Mathematical provisions, (ii) Provision for participation in profit, (iii) Provisions for non-acquired premiums and (iv) Provision for claims. The net allocation for the year of the first three provisions, of the value of 319,650 thousand meticais (2013: 185,578 thousand meticais), is recorded through profit or loss under the heading of Other provisions (see Note 11) and the net allocation for the year of the Provision for claims, of the value of 381,867 thousand meticais (2013: 494,021 thousand meticais), is recorded through profit or loss under the heading of Other net operating income (see Note 6).

30. SUBORDINATED LIABILITIES

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
SUBORDINATED LOANS				
BIM bonds 2006-2016	**-**	-	**175,611**	175,611
	-	-	**175,611**	175,611

The issued subordinated loan presents the following characteristics:

Thousand MZN

Description of the issue	Date of issue	Redemption date	Interest rate %	Issue value
BIM 2006-2016	14/12/2006	14/12/2016	7.19% (*)	175,000

(*) Rate corresponding to the average rate weighted by maturity and amounts of the last 6 issues of Treasury Bills with a maturity of 28 days or more, calculated on the second business day prior to the starting date of each interest counting period, plus a spread of 0.5% and rounded off upwards to 1/16 of a percentage point.

31. OTHER LIABILITIES

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Suppliers	**48,767**	49,395	**10,916**	7,109
Miscellaneous creditors	**421,238**	243,466	**227,379**	102,312
VAT payable	**5,052**	2,438	**3,250**	2,438
Tax withholdings	**112,083**	100,328	**95,819**	87,708
Social Security contributions	**6,281**	5,648	**6,281**	5,648
Costs payable	**373,349**	297,196	**369,274**	290,010
Staff costs	**490,236**	469,886	**453,672**	432,095
Deferred income	**151,280**	171,681	**151,280**	171,681
Consigned funds	**50,232**	41,497	**50,232**	41,497
Other payables	**336,966**	192,368	**332,428**	189,939
	1,995,484	1,573,903	**1,700,531**	1,330,437

32. SHARE CAPITAL

The Bank's share capital, of the value of 4,500,000 thousand meticais, is represented by 45,000,000 shares of the nominal value of 100 meticais each and is fully underwritten and paid-up.

As at 31 December 2014, the shareholder structure is presented as follows:

Thousand MZN

	2014 nr. shares	% share capital holding	2013 nr. shares	% share capital holding
Millennium BCP Participações, SGPS, Lda.	**30,008,460**	66.69%	30,008,460	66.69%
State of Mozambique	**7,704,747**	17.12%	7,704,747	17.12%
INSS (National Social Security Institute)	**2,227,809**	4.95%	2,227,809	4.95%
EMOSE – Empresa Moçambicana de Seguros, SARL	**1,866,309**	4.15%	1,866,309	4.15%
FDC (Foundation for the Development of the Community)	**487,860**	1.08%	487,860	1.08%
Managers, Technicians and Employees (GTT)	**2,704,815**	6.01%	2,704,815	6.01%
	45,000,000	100.00%	45,000,000	100.00%

33. RESERVES AND RETAINED EARNINGS

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Legal reserve	**2,820,425**	2,324,992	**2,820,425**	2,324,992
Other reserves and retained earnings	**6,853,635**	5,109,314	**5,737,579**	4,110,140
Net income for the year	**3,677,928**	3,424,570	**3,493,636**	3,302,890
	13,351,988	10,858,876	**12,051,640**	9,738,022

Under the terms of the Mozambican legislation in force, Law number 15/99 – Credit Institutions, the Bank should reinforce the legal reserve on an annual basis by at least 15% of the annual net profit, until the reserve equals the share capital, where this reserve is not normally distributable. Pursuant to the net profit for the financial year of 2013, the Bank allocated the value of 495,433 thousand meticais to the legal reserve in 2014 (2013: 446,363 thousand meticais).

34. DIVIDENDS

Pursuant to the deliberation of the Ordinary General Meeting held on 25 March 2014, the Board of Directors decided to distribute 35% of the Net Income recorded as at 31 December 2013, after the constitution of the Legal Reserve, to the value of 1,156,011 thousand meticais.

35. GUARANTEES AND OTHER COMMITMENTS

The off-balance sheet values are analysed as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
GUARANTEES PROVIDED				
Personal guarantees	**17,487,278**	8,841,084	**17,487,278**	8,841,084
Asset-backed guarantees	**744,525**	364,499	**744,525**	364,499
GUARANTEES RECEIVED				
Personal guarantees	**175,836,811**	155,124,662	**175,836,812**	155,124,662
Asset-backed guarantees	**65,471,166**	54,167,481	**65,471,166**	54,167,481
COMMITMENTS TO THIRD PARTIES	**11,051,419**	9,125,906	11,051,419	9,125,906
SPOT FOREIGN EXCHANGE TRANSACTIONS				
Purchases	**5,162,069**	922,711	**5,162,069**	922,711
Sales	**4,973,701**	873,107	**4,973,701**	873,107
FORWARD FOREIGN EXCHANGE TRANSACTIONS				
Purchases	**230,251**	-	**230,251**	-
Sales	**238,472**	-	**238,472**	-

36. RELATED PARTIES

As at 31 December, the debits and credit held by the Bank arising from the Group's transactions with related parties (Millennium bcp Group) and its subsidiary, Seguradora Internacional de Moçambique, S.A., are represented as follows:

Thousand MZN

Balance sheet	2014				2013			
	Assets			Off-balance sheet	Assets			Off-balance sheet
	Funds avail. of CI	**Investments of CI**	**Other assets**	**Asset-backed guar. prov.**	Funds avail. of CI	Investments of CI	Other assets	Asset-backed guar. prov.
Banco Comercial Português S.A.	**131,486**	**134,400**	**-**	**-**	33,494	1,485,695	-	790
Millennium bcp Bank & Trust (Cayman)	**1,515**	**4,707**	**-**	**4,704**	1,429	4,214	-	4,211
Seguradora Internac. de Moçambique, S.A.	**-**	**-**	**59,122**	**-**	-	-	47,007	-
	133,001	**139,108**	**59,122**	**4,704**	34,924	1,489,909	47,007	5,001

Thousand MZN

Balance sheet	2014				2013			
	Liabilities				Liabilities			
	Securities issued of CI	Customer deposits	Other subordinated	Subordinated liabilities	Securities issued of CI	Customer deposits	Other subordinated	Subordinated Liabilities
Banco Comercial Português S.A.	8,026	-	225,093	-	9,077	-	100,838	-
Millennium BCP Partic SGPS Lda.	-	32,458	-	-	-	29,741	-	-
Seguradora Internac. de Moçambique, S.A.	-	2,243,280	-	175,611	-	2,024,072	-	175,611
	8,026	2,275,737	225,093	175,611	9,077	2,053,813	100,838	175,611

As at 31 December, the income received and costs incurred by the Bank arising from the Group's transactions with related parties (Millennium bcp Group) and its subsidiary, Seguradora Internacional de Moçambique, S.A., are represented as follows:

Thousand MZN

Income statement	2014			2013		
	Operating income			Operating income		
	Interest and similar income	Earn. services and commissions	Other net op. income	Interest and similar income	Earn. services and commissions	Other net op. income
Banco Comercial Português S.A.	890	-	-	2,036	-	-
Millennium bcp Bank & Trust (Cayman)	26	-	-	39	-	-
Seguradora Internac. de Moçambique, S.A.	-	52,483	50,944	-	43,504	43,356
	915	52,483	50,944	2,075	43,504	43,356

Thousand MZN

Income statement	2014			2013			
	Operating costs			Operating costs			
	Interest and income	Staff costs	Other admin. costs	Interest and income	Earn. services and commissions	Staff costs	Other admin. costs
Banco Comercial Português S.A.	482	-	426,547	-	790	-	387,343
Millennium BCP Partic SGPS Lda.	3,391	-	-	3,204	-	-	-
Seguradora Internac. de Moçambique, S.A.	75,645	54,382	134,519	61,229	-	52,811	132,362
	79,518	54,382	561,065	64,433	790	52,811	519,705

Loans to members of the Management and Supervisory Boards and their direct family, recorded as at 31 December 2014, reached 1,332 thousand meticais (2013: 1,508 thousand meticais). These loans were granted in accordance with the applicable legal and regulatory standards.

As at 31 December 2014, Deposits stood at 238,265 thousand meticais (2013: 208,371 thousand meticais).

37. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, the heading of Cash and cash equivalents is broken down as follows:

Thousand MZN

	Group		Bank	
	2014	2013	**2014**	2013
Available funds in cash	**2,932,712**	2,635,902	**2,932,712**	2,635,902
Available funds in domestic credit institutions	**121,474**	166,883	**119,746**	166,883
Available funds in credit institutions abroad	**3,096,180**	2,491,119	**3,096,180**	2,491,119
	6,150,366	5,293,904	**6,148,638**	5,293,904

38. FAIR VALUE

Fair value is based on market prices, whenever available. If market prices are not available, as is the case of many products placed with customers, the fair value should be estimated through internal models based on discounted cash flow techniques.

The main methods and assumptions used in estimating the fair value for the assets and liabilities of the Bank are presented as follows:

- **Cash and deposits at Banco de Moçambique, Deposits at other credit institutions, Deposits of other credit institutions, Investments in credit institutions, Funds in the Interbank Monetary Market and Assets with Repurchase Agreements**

Considering the short maturity of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

- **Loans to customers**

The majority of the financial instruments referred to above are remunerated at variable interest rates, associated to reference rates of the period corresponding to the interest period of each contract, which are close to the rates in force in the market for each type of financial instrument, hence their fair value is identical to their book value, which is recorded minus impairment losses.

- **Financial assets available for sale**

The Group uses the following Fair value hierarchy with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of the parameters applied in determining the fair value measurement of the instrument in accordance with the provisions of IFRS 13:

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving financial instruments identical to those instruments to be reviewed. If there is more than one active market for that same financial instrument, the relevant price is the one that prevails in the instrument's main market, or in the most advantageous market to which there is access;
- Level 2: Fair value is determined based on valuation techniques supported by observable data in active markets, either direct data (prices, rates, spreads, etc.) or indirect data (derived), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument;
- Level 3: The fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, including assumptions about the inherent risks, the valuation technique used, inputs used and contemplated review processes of the accuracy of the resulting figures.

Financial assets available for sale by valuation levels, for the Group and the Bank, as of 31 December 2014 are:

- Level 1: Bonds and other fixed-income securities – Treasury Bonds and Bills of the Mozambican State;
- Level 3: Shares and other variable income securities.

• Customer deposits
Considering the short maturity of these financial instruments, the conditions of the existing portfolio are similar to current conditions used by the Bank. Therefore, the amount in the balance sheet is a reasonable estimate of its fair value.

• Debt securities issued and subordinated liabilities
Both Debt securities issued and Subordinated liabilities consist of contracts signed, which are remunerated, mostly, at variable rates, namely at the average rate weighted by maturity and amounts, of the last 6 issues of Treasury Bills, therefore their fair value is identical to their book value. None the alterations observed in the value of these liabilities due to the change of the interest rates used affect the outstanding principal, and merely affect the amount of interest payable.

39. OTHER EMPLOYEE BENEFITS

POST-EMPLOYMENT BENEFITS

The Group contributes to the following post-employment defined benefit plan:

Active Employees recruited up to 31 December 2011 are entitled to a redeemed pension when they reach 60 years old in the case of men and 55 years old in the case of women, where it is a compulsory condition that the Employee is already receiving a retirement pension attributed by the National Social Security Institute (INSS) or should the Executive Commission decide so.

The Group determined that, pursuant to the terms and conditions of the retirement benefit plan and in conformity with the local legislation, the present value of the repayments or reductions of future contributions is not lower than the total fair value of the asset plan minus the present value of the liabilities.

Additionally, there are retirement and pensioner obligations associated with supplementary retirement pension, granted through incomes of Employees who have moved from institutions acquired by the Group in 2000. The income benefit is reversible in 50% regardless of the number of beneficiaries.

As at 31 December 2014 and 2013, the Group's number of participants is as follows:

Number of participants	2014	2013
Assets	**1,889**	1,997
Retired and pensioners	**496**	496
	2,385	2,493

According to the policy described in note 1. t), the Group's pension obligations and other benefits and coverage on 31 December 2014 and 2013 are analysed as follows:

Thousand MZN

	2014	2013
PROJECTED BENEFIT LIABILITIES		
Retired and pensioners	**(1,018,567)**	(1,020,776)
Employees	**(984,809)**	(831,401)
	(2,003,376)	(1,852,177)
Value of the assets	**2,011,537**	1,846,923
NET ASSETS/(LIABILITIES) IN THE BALANCE SHEET	**8,161**	(5,254)
Accumulated actuarial deviations recognized under other comprehensive income	**(43,567)**	(9,945)

The change in the present value of obligations is analysed as follows:

Thousand MZN

	2014			2013
	Retirement pensions	**Retirement pension supplement**	**Total**	Total
Balance at 1 January	**1,020,776**	**831,401**	**1,852,177**	1,839,492
Current service cost	**-**	**51,083**	**51,083**	49,717
Interest costs	**73,660**	**62,902**	**136,562**	123,191
Actuarial gains and losses	**(1,044)**	**66,727**	**65,683**	1,926
Benefits paid	**(74,825)**	**(27,304)**	**(102,129)**	(162,149)
LIABILITIES AT THE END OF THE YEAR	**1,018,567**	**984,809**	**2,003,376**	1,852,177

The evolution of the value of the policies underlying the Group's Benefit Plan may be analysed as follows:

Thousand MZN

	2014	2013
Balance at 1 January	**1,846,923**	1,840,541
Financial losses	**32,061**	(6,089)
Group's contributions	**98,154**	49,717
Benefits paid by the fund	**(102,129)**	(162,149)
Expected income	**136,528**	124,903
BALANCE AT 31 DECEMBER	**2,011,537**	1,846,923

The evolution of assets/net liabilities of the Group as at 31 December is analysed as follows:

Thousand MZN

	2014
Balance at 1 January	**(5,254)**
(Gains) and losses – liabilities	**(65,683)**
(Gains) and losses – plan assets	**32,061**
Group's contributions	**98,154**
Attribution of benefits for the year	
Current service cost	**(51,083)**
Net interest cost/(income) in the liability coverage balance	**(34)**
BALANCE AT 31 DECEMBER	**8,161**

The asset portfolio comprises the following securities (as a percentage):

	2014	2013
Ordinary shares	**0.41%**	0.50%
Bonds and other fixed income securities	**47.35%**	47.70%
Real estate properties	**35.60%**	33.60%
Term deposits	**16.64%**	18.30%
	100%	100%

The cost recognised by the Group in the financial year regarding the granting of post-employment benefits is analysed as follows:

Thousand MZN

	2014	2013
Current service cost	**51,083**	49,717
Net interest cost/(income) in the liability coverage balance	**34**	(1,712)
COST OF THE YEAR	**51,117**	48,005

The Group used the following actuarial assumptions on the closing date for calculating pension liabilities (as a percentage):

	2014	2013
NORMAL RETIREMENT AGE:		
Men	**60**	60
Women	**55**	55
Wage growth	**6.00%**	5.75%
Growth of pensions	**3.50%**	3.50%
Rate of return of the fund	**7.50%**	7.50%
Discount rate	**7.50%**	7.50%
Mortality tables	**PF 60/64**	PF 60/64

As at 31 December 2014, the weighted average duration of the liabilities is 21 years (2013: 21 years).

The analysis of sensitivity to variation of the assumptions, in accordance with IAS 19, is as follows:

Thousand MZN

	2014		2013	
	+1.00%	-1.00%	+1.00%	-1.00%
Discount rate	**-93,527**	**109,644**	-81,051	84,320
Future wage growth	**105,537**	**-91,751**	82,048	-79,240
Future growth of pensions	**101,165**	**-87,359**	107,024	-92,066

Other employee benefits – Bank

On the reporting date, the Bank's number of participants was as follows:

Number of participants	2014	2013
Assets	**1,775**	1,877
Retired former employees and pensioners	**496**	496
	2,271	2,373

According to the policy described in note 1. t), the Bank's pension obligations and other benefits and coverage on 31 December 2014 and 2013 are analysed as follows:

Thousand MZN

	2014	2013
PROJECTED BENEFIT LIABILITIES		
Retired and pensioners	**(1,018,567)**	(1,020,776)
Employees	**(932,159)**	(789,325)
	(1,950,726)	(1,810,101)
Value of the assets	**1,958,603**	1,803,431
Net assets/(liabilities) in the balance sheet	**7,877**	(6,670)
Accumulated actuarial deviations recognized under other comprehensive income	**(39,578)**	(11,288)

The change in the present value of obligations is analysed as follows:

Thousand MZN

	2014			2013
	Retirement pensions	Retirement pension supplement	Total	Total
Balance at 1 January	**1,020,776**	**789,325**	**1,810,101**	1,801,865
Current service cost	**-**	**47,299**	**47,299**	45,808
Interest costs	**73,660**	**59,652**	**133,312**	120,420
Actuarial gains and losses	**(1,044)**	**61,865**	**60,821**	4,157
Benefits paid	**(74,825)**	**(25,982)**	**(100,807)**	(162,149)
LIABILITIES AT THE END OF THE YEAR	**1,018,567**	**932,159**	**1,950,726**	1,810,101

The evolution of the value of the policies underlying the Bank's Benefit Plan may be analysed as follows:

Thousand MZN

	2014	2013
Balance at 1 January	**1,803,431**	1,801,865
Financial losses	**32,531**	(4,152)
Contributions of the Bank	**90,566**	45,808
Benefits paid by the fund	**(100,807)**	(162,149)
Expected income	**132,882**	122,059
BALANCE AT 31 DECEMBER	**1,958,603**	1,803,431

The evolution of assets/net liabilities of the Bank is analysed as follows:

Milhares MZN

	2014
Balance at 1 January	**(6,670)**
(Gains) and losses – liabilities	**(60,821)**
(Gains) and losses – plan assets	**32,530**
Group's contributions	**90,566**
Attribution of benefits for the year	
Current service cost	**(47,299)**
Net interest cost/(income) in the liability coverage balance	**(429)**
BALANCE AT 31 DECEMBER	**7,877**

The asset portfolio comprises the following securities (as a percentage):

Thousand MZN

	2014	2013
Ordinary shares	**0.42%**	0.50%
Bonds and other fixed income securities	**46.15%**	47.70%
Real estate properties	**36.55%**	33.60%
Term deposits	**16.88%**	18.30%
	100%	100%

The cost recognised by the Bank in the financial year regarding the attribution of benefits is analysed as follows:

Thousand MZN

	2014	2013
Current service cost	**47,299**	45,808
Net interest cost/(income) in the liability coverage balance	**430**	(1,639)
COST OF THE YEAR	**47,729**	44,169

As at 31 December 2014, the weighted average duration of the liabilities was 21 years (2013: 21 years).

The analysis of sensitivity to variation of the assumptions, in accordance with IAS 19, is as follows:

Thousand MZN

	2014		2013	
	+1.00%	-1.00%	+1.00%	-1.00%
Discount rate	**-87,246**	**102,099**	-81,051	84,320
Future wage growth	**98,188**	**-85,514**	82,048	-79,240
Future growth of the pension fund	**101,165**	**-87,359**	107,024	-92,066

Other long-term benefits – seniority bonus

The seniority bonus is attributed to the Employees of the Group and of the Bank according to the years of service provided, whereby they are paid one, two and three salaries upon reaching fifteen, twenty and thirty years of service, respectively.

The present value of the seniority bonus is accrued monthly in each financial year, with the provision being recognised in the Balance Sheet as staff costs, which includes the cost of current services, the cost of interest and actuarial gains/losses.

Thousand MZN

	Group		Bank	
	2014	2013	2014	2013
Seniority bonus	**94,452**	79,713	**86,568**	71,903

40. CONSOLIDATED INCOME STATEMENT BY OPERATING SEGMENT

The segmental reporting presented below, with respect to the business and geographic segments, complies with the provisions in IFRS 8.

The Bank develops a series of banking activities and financial services with particular emphasis on the business of Commercial Banking and Insurance.

CHARACTERISATION OF THE SEGMENTS

Commercial Banking continued the dominant business in the Bank's activity, both in terms of volume and regarding its contribution to net income.

The Commercial Bank business, directed at the Retail Banking and Corporate segments, focuses its activity on meeting the needs of Customers, both individual and companies.

The strategic approach of Retail Banking is defined in consideration of Customers who appreciate a value proposition based on innovation and speed, referred to as mass market Customers, and Customers whose specific interests, size of financial net worth or income level justify a value proposition based on innovation and personalised attendance through a dedicated Customer manager, referred to as prime Customers.

Under its cross-selling strategy, Retail Banking also operates as a distribution channel for the products and services of the Insurer.

The Corporate segment, directed at institutional entities and companies whose size of activity places them within the selection criteria established for this segment, offers a complete range of products and services of value added and adapted to their needs.

The "Other" segment includes other residual segments, which individually represent less than 10% of the total income, net income and assets of the Group.

The reporting used by the management is essentially based on the accounting principles established in the IFRS.

ACTIVITY OF THE BUSINESS SEGMENTS AS AT 31 DECEMBER 2014

The values of the operating account reflect the process of allocation of net income, based on average values, reported by each business segment.

The net contribution of the Insurer reflects the individual result, regardless of the Bank's percentage holding. The "Other" column refers to consolidation adjustments.

The information presented below was prepared based on the financial statements drawn up in accordance with the IFRS.

Thousand MZN

31 December 2014	Retail Banking	Corporate Banking	Prestige	Insurance	Other	Consolidated total
Net interest income	2,187,420	3,170,858	197,854	288,747	1,095	5,845,974
Earnings from services and commissions	917,490	795,371	230,098	(61,033)	-	1,881,926
Net income from financial transactions	388,902	491,175	57,901	30,577	(7,488)	961,067
Other operating income	163,144	161,252	58,680	923,052	(404,279)	901,849
TOTAL OPERATING INCOME	3,656,956	4,618,656	544,533	1,181,343	(410,672)	9,590,816
Staff costs	1,004,763	619,066	217,093	148,414	(54,382)	1,934,954
Other administrative costs	962,947	676,994	152,105	70,154	(134,518)	1,727,682
Depreciation/amortisation for the year	242,916	138,710	39,515	15,467	12,922	449,530
TOTAL OPERATING COSTS	2,210,626	1,434,770	408,713	234,035	(175,978)	4,112,166
Loan impairment	98,527	331,062	71,093	-	-	500,682
Other provisions	17,639	59,268	12,727	316,966	-	406,600
PRE-TAX PROFIT	1,330,164	2,793,556	52,000	630,342	(234,694)	4,571,368
Taxes	217,276	456,313	8,494	165,685	-	847,768
Non-controlling interests	-	-	-	-	45,672	45,672
NET INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	1,112,888	2,337,243	43,506	464,657	(280,366)	3,677,928

31 December 2014	Retail Banking	Corporate Banking	Prestige	Insurance	Other	Consolidated total
ASSETS						
Loans to customers	9,869,615	38,807,332	8,117,729	-	-	56,794,676
LIABILITIES						
Customer deposits	17,584,016	30,318,414	29,241,277	-	-	77,143,707

Thousand MZN

31 December 2013	Retail Banking	Corporate Banking	Prestige	Insurance	Other	Consolidated total
Net interest income	1,809,761	2,770,485	248,692	229,315	-	5,058,253
Earnings from services and commissions	898,881	679,203	192,346	(45,548)	-	1,724,882
Net income from financial transactions	340,142	413,210	59,443	26,784	-	839,579
Other operating income	264,370	284,491	78,527	748,579	(409,254)	966,713
TOTAL OPERATING INCOME	3,313,154	4,147,390	579,007	959,130	(409,254)	8,589,427
Staff costs	925,772	563,376	203,204	141,006	(52,811)	1,780,547
Other administrative costs	891,414	603,949	147,427	76,364	(132,362)	1,586,791
Depreciation/amortisation for the year	208,542	107,366	30,245	15,181	12,580	373,914
TOTAL OPERATING COSTS	2,025,727	1,274,691	380,876	232,551	(172,594)	3,741,252
Loan impairment	94,829	288,841	62,511	-	-	446,181
Other provisions	3,647	11,108	2,404	191,818	-	208,977
PRE-TAX PROFIT	1,188,951	2,572,749	133,216	534,761	(236,660)	4,193,017
Taxes	167,872	363,255	18,809	139,028	-	688,964
Non-controlling interests	-	-	-	-	37,393	37,393
NET INCOME FOR THE YEAR ATTRIBUTABLE TO SHAREHOLDERS	1,021,079	2,209,494	114,406	395,733	(274,053)	3,466,660

31 December 2013	Retail Banking	Corporate Banking	Prestige	Insurance	Other	Consolidated total
ASSETS						
Loans to customers	10,184,192	31,154,000	6,721,521	-	-	48,059,713
LIABILITIES						
Customer deposits	16,928,241	26,622,449	22,884,989	-	-	66,435,679

41. RISK MANAGEMENT

The Group is subject to a diversity of risks during the normal course of its business. Risk management is conducted in a centralised manner by Millennium bcp in coordination with the local departments and considering the specific risks of each business in each region.

The risk management policy of Millennium bim is designed to ensure a suitable ratio, at all times, between its own funds and the activity developed, as well the corresponding assessment of the risk/return profile by business line.

In this context, the main types of risks (credit, market, liquidity and operating) are presented below, in a strictly accounting perspective, to which the activity of the Group and Bank is subject.

MAIN TYPES OF RISK

Credit – Credit risk is associated to the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterpart of an agreement to comply with their obligations as borrowers of the Bank.

Market – The concept of market risk reflects the potential loss which might be recorded in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the different financial instruments included in the portfolio, considering both the correlations that exist between them and the respective price volatility.

Liquidity – Liquidity risk reflects the Bank's inability to comply with its obligations at maturity without incurring in significant losses as a result of the deterioration of the funding conditions (funding risk) and/or the sale of its assets below market value (market liquidity risk).

Operating – Operating risk is defined as the potential loss arising from failures or inadequacies in internal procedures, persons or systems, as well as potential losses resulting from external events.

MARKET RISK

Market risks can be classified into different categories, such as interest rate risk, exchange rate risk, commodity price risk and share price risk. Each category represents the risk of occurrence of losses as a result of fluctuations in variation and in their respective variable.

INTEREST RATE RISK

Interest rate risk refers to the risk of losses arising from fluctuations observed in interest rates. Incurring interest rate risk is a natural situation of banking activity.

EXCHANGE RATE RISK

Exchange rate risk refers to the possibility of losses arising from fluctuations in exchange rates, that is, it consists of the risk arising from the value of a financial instrument floating due to changes in the exchange rate.

The Bank, with respect to interest rate and exchange rate risks, uses internal models to follow and monitor these risks, namely:

(i) Sensitivity and gap analysis (interest rate differential)

For the measurement of interest rate risk (where the gaps are constituted by repricing residual periods of outstanding contracts), as shown in the tables below:

Thousand MZN

31 December 2014	Group						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	With no interest rate risk	Total
ASSETS							
Cash and deposits at Banco de Moçambique	8,493,195	-	-	-	-	-	8,493,195
Available funds in other credit institutions	3,217,654	-	-	-	-	-	3,217,654
Deposits in credit institutions	2,892,338	1,008,000	4,982	-	-	5,312	3,910,632
Loans to customers	17,325,722	6,141,966	32,230,194	112,226	1,519,495	(534,927)	56,794,676
Financial assets available for sale	1,825,000	6,682,522	15,557,458	-	-	(286,961)	23,778,019
Other assets	-	-	-	-	-	8,023,258	8,023,258
TOTAL ASSETS	33,753,909	13,832,488	47,792,634	112,226	1,519,495	7,206,682	104,217,434
LIABILITIES							
Deposits from other credit institutions	1,213,808	-	-	343,760	534,545	10,626	2,102,739
Customer deposits	56,075,801	6,533,938	13,998,762	73,370	-	461,836	77,143,707
Debt securities issued	1,000,000	-	-	-	-	25,132	1,025,132
Other liabilities	-	-	-	-	-	5,919,885	5,919,885
TOTAL LIABILITIES	58,289,609	6,533,938	13,998,762	417,130	534,545	6,417,479	86,191,463
TOTAL LIABILITIES AND EQUITY	58,289,609	6,533,938	13,998,762	417,130	534,545	24,443,450	104,217,434
INTEREST RATE RISK GAPS	(24,535,700)	7,298,550	33,793,872	(304,904)	1,519,495	(17,236,768)	-
ACCUMULATED INTEREST RATE RISK GAP	(24,535,700)	(17,237,150)	16,556,722	16,251,818	17,771,313	-	-

Thousand MZN

31 December 2013	Group						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	With no interest rate risk	Total
Total assets	30,952,400	11,083,200	39,282,047	113,464	1,493,101	4,961,782	87,885,994
Total liabilities and equity	44,697,013	6,416,668	15,446,143	-	-	21,326,170	87,885,994
Interest rate risk gaps	(13,744,613)	4,666,532	23,835,904	113,464	1,493,101	(16,364,388)	-
Accumulated interest rate risk gap	(13,744,613)	(9,078,081)	14,757,823	14,871,287	16,364,388	-	-

Thousand MZN

31 December 2014	Bank						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	With no interest rate risk	Total
ASSETS							
Cash and deposits at Banco de Moçambique	8,493,195	-	-	-	-	-	8,493,195
Available funds in other credit institutions	3,215,926	-	-	-	-	-	3,215,926
Deposits in credit institutions	2,892,338	1,008,000	4,704	-	-	3,806	3,908,848
Loans to customers	17,325,722	6,141,966	32,230,194	112,226	1,519,495	(534,927)	56,794,676
Financial assets available for sale	1,825,000	5,806,275	14,890,920	-	-	(335,865)	22,186,330
Other assets	-	-	-	-	-	6,903,065	6,903,065
TOTAL ASSETS	33,752,181	12,956,241	47,125,818	112,226	1,519,495	6,036,079	101,502,040
LIABILITIES							
Deposits from other credit institutions	1,213,808	-	-	343,760	534,545	10,626	2,102,739
Customer deposits	57,957,785	6,543,037	14,249,377	73,370	-	563,418	79,386,987
Debt securities issued	1,000,000	-	-	-	-	25,132	1,025,132
Subordinated liabilities	-	-	-	175,000	-	611	175,611
Other liabilities	-	-	-	-	-	2,259,931	2,259,931
TOTAL LIABILITIES	60,171,593	6,543,037	14,249,377	592,130	534,545	2,859,718	84,950,400
TOTAL LIABILITIES AND EQUITY	60,171,593	6,543,037	14,249,377	592,130	534,545	19,411,358	101,502,040
INTEREST RATE RISK GAPS	(26,419,412)	6,413,204	32,876,441	(479,904)	984,950	(13,375,279)	-
ACCUMULATED INTEREST RATE RISK GAP	(26,419,412)	(20,006,208)	12,870,233	12,390,329	13,375,279	-	-

Thousand MZN

31 December 2013	Bank						
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	With no interest rate risk	Total
Total assets	30,777,030	10,446,653	38,599,245	113,464	1,493,101	3,998,746	85,428,239
Total liabilities and equity	46,448,570	6,452,640	15,678,360	175,000	2	16,673,667	85,428,239
Interest rate risk gaps	(15,671,540)	3,994,013	22,920,885	(61,536)	1,493,099	(12,674,921)	-
Accumulated interest rate risk gap	(15,671,540)	(11,677,527)	11,243,358	11,181,822	12,674,921	-	-

(ii) Sensitivity analysis to interest rate risk in the Bank's portfolio

The assessment of the interest rate risk derived from transactions of the banking portfolio is performed through a process of risk sensitivity analysis, carried out every month, for all operations included in the balance sheet.

This analysis considers the financial characteristics of the contracts available in the information systems. Based on this data, the impact on the Bank's economic value arising from an alteration of the market interest rate curve is calculated by repricing residual periods.

(iii) Exchange rate risk

Exchange rate risk is assessed through the measurement of the indicators defined in the regulations of prudential scope of Banco de Moçambique, which is analysed using indicators such as:

- Net Open Position by Currency – collected through the Bank's computer system by the Risk Office, and validated by the Accounting Department and Financial Department, reported relative to the last day of each month;
- Sensitivity Indicator – calculated through the simulation of the impact, on the Bank's earnings, of a hypothetical variation of 1% in the measurement exchange rates.

The exposure of the Group and Bank to exchange rate risk is presented in the following tables:

Thousand MZN

	Group					
	31.12.2014			31.12.2013		
	Dollars (USD)	**Other foreign currency**	**Total**	Dollars (USD)	Other foreign currency	Total
ASSETS						
Cash and deposits at Banco de Moçambique	**1,275,203**	**157,622**	**1,432,825**	324,591	62,295	386,886
Available funds in other credit institutions	**2,827,757**	**269,699**	**3,097,456**	2,317,314	179,176	2,496,490
Investments in credit institutions	**2,387,651**	**211,647**	**2,599,298**	2,298,090	488,504	2,786,594
Loans to customers	**11,081,510**	**864,554**	**11,946,064**	10,541,293	934,525	11,475,817
Financial assets available for sale	**-**	**-**	**-**	-	-	-
Other assets	**14,794**	**1,494**	**16,288**	404,362	455	404,817
	17,586,915	**1,505,016**	**19,091,931**	15,885,650	1,664,955	17,550,605
LIABILITIES						
Deposits of other credit institutions	**879,144**	**23,280**	**902,424**	948,190	49,579	997,769
Customer deposits	**15,096,235**	**1,055,430**	**16,151,665**	13,196,798	1,203,198	14,399,996
Provisions	**340,500**	**26,397**	**366,897**	311,181	32,768	343,949
Subordinated liabilities	**-**	**-**	**-**	-	-	-
Other liabilities	**883,724**	**349,606**	**1,233,330**	178,760	104,343	283,103
	17,199,603	**1,454,713**	**18,654,316**	14,634,929	1,389,888	16,024,816
OVERALL OPERATING POSITION	**387,312**	**50,303**	**437,615**	1,250,721	275,067	1,525,788

Thousand MZN

	Bank					
	31.12.2014			31.12.2013		
	Dollars (USD)	Other foreign currency	Total	Dollars (USD)	Other foreign currency	Total
ASSETS						
Cash and deposits at Banco de Moçambique	1,275,203	157,622	1,432,825	324,591	62,295	386,886
Available funds in other credit institutions	2,827,757	269,698	3,097,456	2,317,314	179,176	2,496,490
Investments in credit institutions	2,155,305	171,415	2,326,720	2,298,090	488,504	2,786,594
Loans to customers	11,081,510	864,554	11,946,064	10,541,293	934,525	11,475,817
Financial assets available for sale	-	-	-	-	-	-
Other assets	14,794	1,479	16,273	385,297	222	385,518
	17,354,569	1,464,768	18,819,338	15,866,584	1,664,721	17,531,306
LIABILITIES						
Deposits of other credit institutions	879,144	23,281	902,424	948,190	49,579	997,769
Customer deposits	15,399,886	1,096,379	16,496,265	13,506,590	1,265,870	14,772,459
Provisions	147,866	13,633	161,499	152,054	13,649	165,703
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	755,753	307,389	1,063,142	12,454	90,128	102,582
	17,182,649	1,440,681	18,623,330	14,619,287	1,419,226	16,038,513
OVERALL OPERATING POSITION	171,920	24,087	196,007	1,247,297	245,495	1,492,792

The values presented above relative to exposure to exchange rate risk show that the predominant foreign currency in the balance sheet of the Group and Bank is the USD.

The results show that the Group and Bank are within the limits of tolerance to exchange rate risk, defined under the prudential rules established by Banco de Moçambique, both for any particular currency and for all currencies as a whole.

LIQUIDITY RISK

The tables below analyse the financial assets and liabilities and off-balance sheet items of the Bank and Group by relevant maturity groups, with the amounts being composed of the value of assets, liabilities and off-balance sheet items taking account their residual contractual maturity.

Thousand MZN

31 December 2014	Group				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
ASSETS					
Cash and deposits at Banco de Moçambique	8,493,195	-	-	-	-
Available funds in other credit institutions	3,217,654	-	-	-	-
Deposits in credit institutions	2,897,449	1,008,479	4,704	-	-
Loans to customers	8,730,805	5,357,349	3,472,789	15,887,761	25,005,320
Financial assets available for sale	1,436,748	6,392,107	12,554,341	3,322,399	72,425
TOTAL ASSETS	24,775,851	12,757,935	16,031,834	19,210,160	25,077,745
LIABILITIES					
Deposits from other credit institutions	1,213,903	10,530	-	343,760	534,545
Customer deposits	52,097,096	7,580,076	17,393,165	73,370	-
Debt securities issued	25,132	-	-	1,000,000	-
TOTAL LIABILITIES	53,336,131	7,590,606	17,393,165	1,073,370	-
LIQUIDITY GAPS	(28,560,280)	5,167,329	(1,361,331)	18,136,790	25,077,745
ACCUMULATED LIQUIDITY GAP	(28,560,280)	(23,392,951)	(24,754,282)	(6,617,492)	18,460,253

Thousand MZN

31 December 2013	Group				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	23,229,864	7,486,958	16,000,973	13,939,740	22,473,856
Total liabilities	44,240,385	6,416,668	15,415,871	1,000,002	-
Liquidity gaps	(21,010,521)	1,070,290	585,102	12,939,738	22,473,856
Accumulated liquidity gap	(21,010,521)	(19,940,231)	(19,355,129)	(6,415,391)	16,058,465

Thousand MZN

31 December 2014	Bank				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
ASSETS					
Cash and deposits at Banco de Moçambique	8,493,195	-	-	-	-
Available funds in other credit institutions	3,215,926	-	-	-	-
Deposits in credit institutions	2,895,944	1,008,201	4,704	-	-
Loans to customers	8,730,805	5,357,349	3,472,789	15,887,761	25,005,320
Financial assets available for sale	1,436,748	5,515,859	11,887,803	3,322,399	23,521
TOTAL ASSETS	**24,772,618**	**11,881,409**	**15,365,296**	**19,210,160**	**25,028,841**
LIABILITIES					
Deposits from other credit institutions	1,213,903	10,530	-	343,760	534,545
Customer deposits	54,080,660	7,589,176	17,643,781	73,370	-
Debt securities issued	25,132	-	1,000,000	-	-
Subordinated liabilities	-	-	611	175,000	-
TOTAL LIABILITIES	**55,319,695**	**7,599,706**	**18,644,392**	**592,130**	**534,545**
LIQUIDITY GAPS	**(30,547,077)**	**4,281,703**	**(3,279,096)**	**18,618,030**	**24,494,296**
ACCUMULATED LIQUIDITY GAP	**(30,547,077)**	**(26,265,374)**	**(29,544,470)**	**(10,926,440)**	**13,567,856**

Thousand MZN

31 December 2013	Bank				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	23,082,896	6,843,085	15,379,917	13,939,740	22,473,856
Total liabilities	45,965,389	6,482,911	15,648,699	1,175,002	-
Liquidity gaps	(22,882,493)	360,174	(268,782)	12,764,738	22,473,856
Accumulated liquidity gap	(22,882,493)	(22,522,319)	(22,791,101)	(10,026,363)	12,447,493

For demand deposits, the Management firmly believes that the contractual maturities do not appropriately represent the period of permanency of these deposits at the Bank.

Therefore, correcting the contractual maturity (up to 1 month) by the historical maturity of the associated core deposits, the Bank's liquidity gap is as described in the chapter on Risk Policy and Management at the beginning of this report.

OPERATIONAL RISK

The Group has adopted principles and practices which ensure the efficient management of operating risk, in particular through the definition and documentation of these principles, and implementation of the corresponding control mechanisms, of which the following are examples: the separation of functions; the lines of responsibility and respective authorisation; the limits of tolerance and exposure to risks; the ethical codes and codes of conduct; the key risk indicators; the access controls, both physical and logical; the reconciliation activities; the exception reports; the contracting of insurance; the planning of contingencies; the internal training on processes, products and systems, among other measures.

42. SOLVENCY

The own funds of Banco Internacional de Moçambique are determined according to the applicable regulatory rules, namely the provisions in Banco de Moçambique Notice number 05/GBM/2007. Total own funds arise from the sum of core capital (Tier I) and supplementary capital (Tier II) and subtraction of the component recorded under aggregate Deductions.

Core capital includes the paid-up capital, the reserves and the deferred impacts related to the IFRS transition adjustments.

At the same time, the determination of core capital requires the deduction of the other intangible assets, the goodwill stated in the assets, the positive/negative actuarial deviations and costs related to past services, associated to post-employment benefits attributed by the entity which, in accordance with IAS 19 – Employee Benefits (Corridor method), have not been recognised under profit or loss for the year, retained earnings or reserves.

Core capital can also be influenced by the existence of revaluation differences in other assets, in cash flow hedge operations or in financial liabilities at fair value through profit or loss, in the proportion corresponding to the actual credit risk, by the existence of a fund for general banking risks and due to insufficiency of provisions, if the allocations for credit impairment, calculated pursuant to the International Financial Reporting Standards, are less than the allocations of provisions required by Banco de Moçambique Notice number 7/GBM/07, calculated on an individual basis.

The supplementary capital includes the subordinated debt, the reserves derived from the revaluation of tangible fixed assets and, through prior authorisation of Banco de Moçambique, the inclusion of balance sheet items that may be freely used to hedge risks normally linked to the activity of the institutions even if the losses or capital losses have not yet been identified.

For the calculation of regulatory capital it is necessary to carry out various further deductions to total own funds, namely the book value of non-financial assets received in the repayment of own loans.

CAPITAL DISCLOSURES

Thousand MZN

	2014	2013
CORE OWN FUNDS		
TIER I CAPITAL		
Paid-up share capital	**4,500,000**	4,500,000
Reserves and retained earnings	**8,555,461**	6,436,874
Intangible assets	**(132,016)**	(137,865)
Shortfall in provisions	**1,125,876**	-
TOTAL TIER I CAPITAL	**11,797,569**	10,799,009
TIER 2 CAPITAL		
Subordinated loans	**70,000**	105,000
Other	**10,110**	(1,742)
TOTAL TIER 2 CAPITAL	**80,110**	103,258
Deduction to total own funds	**91,727**	124,064
ELIGIBLE OWN FUNDS	**11,785,952**	10,778,203
RISK WEIGHTED ASSETS		
In the balance sheet	**54,821,291**	45,969,212
Off balance sheet	**5,716,393**	4,315,860
Operating risk	**1,160,075**	-
Market risk	**337,738**	-
Ratio of adequacy of core own funds (Tier 1)	**19.0 %**	21.5 %
Ratio of adequacy of own funds (Tier 2)	**0.1 %**	0.2 %
SOLVENCY RATIO	**19.0 %**	21.4 %

43. RISK CONCENTRATION

The concentration of financial assets with credit risk by sector, in the Group and in the Bank, is as follows:

Thousand MZN

Sector	Group									
							2014		2013	
	Available funds in other credit institutions	Deposits in credit institutions	Loans to customers	Financial assets available for sale	Investments in associated companies	Other assets		%	Total	%
Public sector	-	-	4,544,609	23,738,615	-	-	**28,283,224**	**30.7%**	21,304,172	28.1%
Financial institutions	3,217,654	3,910,632	-	992	-	-	**7,129,278**	**7.7%**	9,979,577	13.2%
Agriculture and forestry	-	-	1,803,054	-	-	-	**1,803,054**	**2.1%**	1,608,884	2.1%
Mining	-	-	1,870,936	-	-	-	**1,870,936**	**2.1%**	1,957,672	2.6%
Food, beverages and tobacco	-	-	906,428	14,891	-	-	**921,319**	**1.1%**	876,582	1.2%
Textiles	-	-	5,024	-	-	-	**5,024**	**0.0%**	5,308	0.0%
Paper, printing and publishing	-	-	111,436	-	-	-	**111,436**	**0.1%**	80,565	0.1%
Chemicals	-	-	466,492	-	-	-	**466,492**	**0.5%**	470,496	0.6%
Machinery and equipment	-	-	1,332,604	-	-	-	**1,332,604**	**1.5%**	1,279,288	1.7%
Electricity, water and gas	-	-	3,369,556	-	-	-	**3,369,556**	**3.7%**	2,833,869	3.7%
Construction	-	-	9,251,546	-	-	-	**9,251,546**	**10.3%**	5,861,756	7.7%
Trade	-	-	8,623,234	-	-	-	**8,623,234**	**9.7%**	6,528,307	8.6%
Restaurants and hotels	-	-	1,200,411	-	-	-	**1,200,411**	**1.3%**	1,118,324	1.5%
Transport and communications	-	-	3,412,652	-	17,049	-	**3,429,701**	**4.0%**	3,706,587	4.9%
Services	-	-	6,950,431	23,521	250,208	-	**7,224,160**	**8.1%**	5,462,735	7.2%
Consumer credit	-	-	11,015,379	-	-	-	**11,015,379**	**13.5%**	9,549,529	12.6%
Mortgage loans	-	-	934,216	-	-	-	**934,216**	**1.1%**	900,978	1.2%
Other activities	-	-	996,668	-	-	1,230,724	**2,227,392**	**2.5%**	2,279,571	3.0%
	3,217,654	3,910,632	56,794,676	23,778,019	267,258	1,230,724	**89,198,963**	**100.0%**	75,804,201	100.0%

Thousand MZN

Sector	Bank									
							2014		2013	
	Available funds in other credit institutions	Deposits in credit institutions	Loans to customers	Financial assets available for sale	Investments in subsidiaries	Other assets		%	Total	%
Public sector	-	-	4,544,609	22,162,809	-	-	**26,707,418**	**30.6%**	19,859,753	26.8%
Financial institutions	3,215,926	3,908,848	-	-	356,148	-	**7,480,922**	**8.6%**	10,246,013	13.8%
Agriculture and forestry	-	-	1,803,054	-	-	-	**1,803,054**	**2.1%**	1,608,884	2.2%
Mining	-	-	1,870,936	-	-	-	**1,870,936**	**2.1%**	1,957,672	2.6%
Food, beverages and tobacco	-	-	906,428	-	-	-	**906,428**	**1.0%**	863,709	1.2%
Textiles	-	-	5,024	-	-	-	**5,024**	**0.0%**	5,308	0.0%
Paper, printing and publishing	-	-	111,436	-	-	-	**111,436**	**0.1%**	80,565	0.1%
Chemicals	-	-	466,492	-	-	-	**466,492**	**0.5%**	470,496	0.6%
Machinery and equipment	-	-	1,332,604	-	-	-	**1,332,604**	**1.5%**	1,279,288	1.7%
Electricity, water and gas	-	-	3,369,556	-	-	-	**3,369,556**	**3.9%**	2,833,869	3.8%
Construction	-	-	9,251,546	-	-	-	**9,251,546**	**10.6%**	5,861,756	7.9%
Trade	-	-	8,623,234	-	-	-	**8,623,234**	**9.9%**	6,528,307	8.8%
Restaurants and hotels	-	-	1,200,411	-	-	-	**1,200,411**	**1.4%**	1,118,324	1.5%
Transport and communications	-	-	3,412,652	-	-	-	**3,412,652**	**3.9%**	3,689,538	5.0%
Services	-	-	6,950,431	23,521	-	-	**6,973,952**	**8.0%**	5,212,527	7.0%
Consumer credit	-	-	11,015,379	-	-	-	**11,015,379**	**12.6%**	9,549,529	12.9%
Mortgage loans	-	-	934,216	-	-	-	**934,216**	**1.1%**	900,978	1.2%
Other activities	-	-	996,668	-	-	957,370	**1,954,038**	**2.2%**	2,070,001	2.8%
	3,215,926	3,908,848	56,794,676	22,186,330	356,148	957,370	**87,419,298**	**100.0%**	74,136,517	100.0%

44. RECENTLY ISSUED POLICIES

The standards and interpretation issued recently that have been enforced and that the Group has applied in the preparation of its financial statements are as follows:

IAS 27 (AMENDED) – SEPARATE FINANCIAL STATEMENTS

On 12 May 2011, the IASB issued amendments to "IAS 27 – Consolidated Financial Statements", with effective application date (retrospectively) for periods that started on or after 1 January 2014.

Bearing in mind that IFRS 10 addresses the control principles and establishes the requirements for the preparation of consolidated financial statements, IAS 27 (amended) shall exclusively regulate the separate accounts.

On the one hand, these amendments were intended to clarify the disclosures required by an entity that prepares separate financial statements, now requiring the disclosure of the main location (and country of the head-office) where the activities of the subsidiaries, affiliates and most significant joint ventures are being developed and, if applicable, that of the parent company. The previous version only required the disclosure of the country of the head-office or residence of such entities.

On the other hand, the date of entry into force and the requirement to adopt all consolidation rules simultaneously (IFRS 10, IFRS 11, IFRS 12, IFRS 13 and amendments to IAS 28) have been aligned.

The Group had no impact on the application of this amendment on its financial statements.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

On 12 May 2011, the IASB issued "IFRS 10 – Consolidated Financial Statements", with effective date of application (retrospectively) for periods that started on or after 1 January 2013.

IFRS 10 revokes part of IAS 27 and SIC 12 and introduces a single control model that determines if an investment should be consolidated.

The new control concept involves the assessment of power, exposure to variable returns and the connection between both. An investor controls an investee when it is exposed (or has rights) to variable returns derived from its involvement and the ability to enforce these returns through its power over the investee (*de facto* control).

The investor considers to what extent it controls the relevant activities of the investee, taking into account the new concept of control. The assessment should be made in each reporting period, since the relationship between power and exposure to variable returns can change over time.

Control is usually assessed on the legal entity, but can also be assessed on specific assets and liabilities of an investee (referred to as "silos").

The new standard introduces other amendments, such as: (i) the requirements for subsidiaries in the context of consolidated financial statements are transferred from IAS 27 to this standard and (ii) the required disclosures are increased, including specific disclosures about structured entities, whether they are consolidated or not.

The Group has not been affected by this amendment.

IFRS 11 – JOINT ARRANGEMENTS

On 12 May 2011, the IASB issued "IFRS 11 – Joint arrangements", with effective date of application (retrospectively) for periods starting on or after 1 January 2013.

This new standard, which revokes IAS 31 and SIC 13, defines "joint control", introducing the control model defined in IFRS 10, and requires an entity that is part of a "joint agreement" to determine the type of joint agreement in which it is involved ("joint operation" or "joint venture"), while evaluating its rights and obligations.

IFRS 11 eliminates the proportionate consolidation option for jointly controlled entities. Jointly controlled entities that meet the "joint venture" criteria must be accounted for using the equity method (IAS 28).

The Group has not been affected by this amendment.

IAS 28 (AMENDED) – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

On 12 May 2011, the IASB issued amendments to "IAS 28 – Investments in affiliates and joint ventures", with effective date of application (retrospectively) for periods starting on or after 1 January 2013.

As a result of the new IFRS 11 and IFRS 12, IAS 28 was amended and changed its name to IAS 28 – Investments in affiliates and joint ventures and regulates the application of the applicable equity method to joint ventures and affiliated companies.

The Group has not been affected by this amendment.

IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

On 12 May 2011, the IASB issued "IFRS 12 – Disclosure of interests in other entities", with effective date of application (retrospectively) for periods starting on or after 1 January 2013.

The purpose of the standard is to demand that an entity disclose information that assists the users of the financial statements to assess: (i) the nature and risks associated with investments in other entities and (ii) the effects of such investments on the financial position, performance and cash flow.

IFRS 12 includes disclosure requirements for all forms of investment in other entities, including joint arrangements, affiliates, special purpose vehicles and other vehicles that are off-balance sheet.

The Group analysed the impacts of the full application of IFRS 12 in line with the adoption of IFRS 10 and IFRS 11, with no impact on its financial statements.

INVESTMENT ENTITIES – AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27 (ISSUED ON 31 OCTOBER 2012)

The amendments apply to a particular class of business that qualifies as "investment entities". The IASB defines the term "investment entity" as an entity whose business purpose is to invest funds so as to obtain return on capital appreciation, income appreciation or both. An investment entity should also assess its performance on investment at fair value. Such entities may include private equity organisations, venture capital or development capital organisations, pension funds, health funds and other investment funds.

The amendments provide an elimination of the consolidation duty set out in IFRS 10, requiring such entities to measure the subsidiaries in question at fair value through profit or loss rather than consolidating them. The amendments also define a set of disclosures that apply to the investment entities.

The amendments apply to financial years starting on or after 1 January 2014, with a voluntary early adoption. This option allows the investment entities to implement the new amendments when IFRS 10 comes into force.

The Group has not been affected by this amendment.

IAS 36 (AMENDED) – ASSET IMPAIRMENT: RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

On 29 May 2013, the IASB issued the amendments to IAS 36 with effective date of application (retrospectively) for periods starting on or after 1 January 2014.

The purpose of the amendments was to clarify the scope of disclosure of information on the recoverable value of assets, when this amount is based on the net fair value of the selling costs and is restricted to impaired assets.

IAS 39 (AMENDED) – FINANCIAL INSTRUMENTS: NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

On 27 June 2013, the IASB issued the amendments to IAS 19 with effective date of application (retrospectively) for periods starting on or after 31 January 2014.

The purpose of these amendments was to make accounting requirements of a hedging derivative more flexible, where there is the need to change the clearing counterparty as a result of amendments in laws or regulations. Such flexibility means that hedge accounting continues regardless of the amendment in the settlement counterparty ("novation") that, without the amendment in the standard, it would no longer be allowed.

IAS 32 (AMENDED) – FINANCIAL INSTRUMENTS: PRESENTATION – OFFSETTING BETWEEN FINANCIAL ASSETS AND LIABILITIES

On 16 December 2011, the IASB issued amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting between financial assets and liabilities", with effective date of application (retrospectively) for periods starting on or after 1 January 2014.

The amendments introduced herein add further implementation guidelines aimed at resolving inconsistencies of practical application. The new guidelines clarify that the expression "currently has a legally enforceable right to offset" means that the right to offset cannot be contingent, in view of future events, and should be legally enforceable during the normal course of business, in the case of default and in the event of insolvency or bankruptcy of the entity and all counterparts.

These application guidelines also specify the features of gross settlement systems, so that they can be equivalent to net settlement.

The Group has not been affected by this amendment, since the adopted accounting policy is in line with the issued guideline.

IFRIC 21 – LEVIES

On 20 May 2013, the IASB issued this interpretation with effective date of application (retrospectively) for periods starting on or after 1 January 2014.

This new interpretation defines levies as a disbursement of any entity imposed by the government pursuant to legislation. It confirms that an entity should recognise a liability for the levy when, and only when, the specific event that triggers the payment of the levy, in accordance with the legislation, takes place.

This interpretation did not have any impact on the Group's financial statements.

The Group decided against the early application of the following standards and/or interpretations.

IAS 19 (AMENDED) – DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

On 21 November 2013, the IASB issued the amendments to IAS 19 with effective date of application (retrospectively) for periods starting on or after 1 July 2014.

The present amendment clarifies the guidelines related to contributions made by employees or third parties linked to services, requiring that the entity attribute such contributions in conformity with paragraph 70 of IAS 19 (2011). In light of this, these contributions are attributed using the contribution formula of the plan or in a linear manner.

The amendment reduces the complexity by introducing a simple form that allows an entity to recognise contributions made by employees or third parties, linked to the service, regardless of the number of years of service (for example, a percentage of remuneration), as a reduction to the cost of service in the period when the service is being provided.

IMPROVEMENTS TO THE IFRS (2010-2012)

The annual improvements of the 2010-2012 cycle issued by the IASB on 12 December 2013 introduce amendments, with effective date of application for periods starting on or after 1 July 2014 to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 – DEFINITION OF VESTING CONDITION

The amendment clarifies the definition of "vesting condition" contained in Appendix A of IFRS 2 – Share-based payments, separating the definition of "performance condition" and "service condition" from vesting condition, offering a more clear description of each condition.

IFRS 3 – ACCOUNTING FOR CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION

The purpose of the amendment seeks to clarify certain aspects of the accounting for contingent consideration in a business combination, namely the classification of the contingent consideration, taking into account whether this contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – AGGREGATION OF OPERATING SEGMENTS AND RECONCILIATION BETWEEN THE TOTAL REPORTABLE SEGMENT'S ASSETS AND THE ENTITY'S ASSETS

The amendment clarifies the aggregation criteria and requires that an entity disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. In order to achieve internal consistency, a reconciliation of the total assets of the reportable segments to the total assets of an entity should be disclosed, if such amounts were regularly provided to the operational decision-maker

IFRS 13 – SHORT-TERM RECEIVABLES AND PAYABLES

The IASB amended the basis of conclusion by clarifying that, in eliminating AG 79 of IAS 39, it did not intend to eliminate the need to determine the real value of short-term receivable or payable account, whose invoice was issued free of interest, even if the effect is immaterial. It should be noted that paragraph 8 of IAS 8 already allows an entity to not apply accounting policies defined in the IFRS if its impact is immaterial.

IAS 16 AND IAS 40 – REVALUATION METHOD – PROPORTIONATE RESTATEMENT OF ACCUMULATED DEPRECIATION OR AMORTISATION

In order to clarify the calculation of accumulated depreciation or amortisation, on the revaluation date, the IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38, so that: (i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique and (ii) the accumulated depreciation (or amortisation) is calculated by the difference between the gross amount and the net book value.

IAS 24 – TRANSACTIONS WITH RELATED PARTIES – KEY MANAGEMENT PERSONNEL SERVICES

In order to resolve some concern about the identification of costs relating to key management personnel (KMP) services when these services are provided by an entity (management entity such as investment funds), the IASB clarified that the disclosures of the amounts incurred by the KMP services supplied by a separate management entity should be disclosed, although it is not necessary to present the breakdown established in paragraph 17.

IMPROVEMENTS TO THE IFRS (2011-2013)

The annual improvements of the 2011-2013 cycle issued by the IASB on 12 December 2013 introduce amendments, with effective date of application for periods starting on or after 1 July 2014 to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

IFRS 1 – CONCEPT OF "EFFECTIVE IFRS

The IASB clarified that while the new IFRS are not yet mandatory but allow early application, IFRS 1 allows but does not require their application to the first financial statements reported, pursuant to the IFRS.

IFRS 3 – EXCEPTIONS TO THE SCOPE OF APPLICATION FOR JOINT VENTURES

The amendments exclude the formation of all types of joint arrangements from the application scope of IFRS 3, as defined in IFRS 11. This exception to the scope of application only applies to financial statements of joint ventures or to joint ventures themselves.

IFRS 13 – SCOPE OF PARAGRAPH 52 – EXCEPTION OF PORTFOLIOS

Paragraph 52 of IFRS 13 includes an exception for the fair value measurement of groups of assets or liabilities on a net basis. The purpose of this amendment is to clarify that the exception of portfolios is applicable to all contracts covered by IAS 39 or IFRS 9, regardless of whether they comply with the definitions of a financial asset or financial liability established in IAS 32.

IAS 40 – INTER-RELATION WITH IFRS 3 WHEN CLASSIFYING PROPERTIES AS INVESTMENT PROPERTIES OR REAL ESTATE PROPERTIES FOR OWN USE

The purpose of the amendment is to clarify the need for judgement to determine whether an investment property acquisition corresponds to the acquisition of an asset, a group of assets or a business combination covered by IFRS 3.

STANDARDS, CHANGES AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE GROUP

IFRS 9 – FINANCIAL INSTRUMENTS (ISSUED IN 2009 AND AMENDED IN 2010, 2013 AND 2014)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements relating to financial liabilities. IFRS 9 (2013) introduced the hedging methodology. IFRS 9 (2014) made limited amendments to the classification and measurement presented in IFRS 9 and new requirements to address financial asset impairment.

The requirements of IFRS 9 represent a significant change to the current requirements established in IAS 39, with respect to financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value against other comprehensive income (OCI) and fair value against profit and loss. A financial asset should be measured at amortised cost if it is held in the context of a business model whose purpose is to hold the asset in order to receive the contractual cash flow and the terms of its cash flow will give rise to revenue, on specified dates, relating only to the nominal amount and interest in force. If the debt instrument is held within a business model that captures the contractual cash flows of the instrument and also captures sales, the measurement is at fair value with the counterpart in other comprehensive income (OCI), and the interest income continues to affect profit and loss.

For an investment in equity instruments that is not held for trading, the standard permits an irrevocable choice, at initial recognition, on an individual basis for each share, of presenting the fair value variations under OCI. No amount recognised under OCI will be reclassified as profit or loss at any future date. However, dividends generated by these investments are recognised through profit or loss instead of OCI, unless this clearly represents a partial recovery of the investment cost.

In all other cases, where financial assets are held under a model of the trading business, or other instruments do not only have the purpose of receiving interest and amortisation and capital, they will be measured at fair value against profit and loss.

This situation also includes investments in equity instruments, for which the entity does not wish to present its fair value variations under OCI, thus being measured at fair value with the variations recognised through profit or loss.

The standard requires that embedded derivatives in contracts whose base contract is a financial asset, covered by the scope of application of the standard, should not be separated, but rather; on the contrary, the hybrid financial instrument is assessed as a whole and, after checking the embedded derivatives, it must be measured at fair value through profit or loss.

The standard eliminates the categories currently existing in IAS 39 of "held to maturity", "available for sale" and "accounts receivable and payable".

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities optionally stated at fair value, henceforth imposing the separation of the component of fair value variation that is attributable to the entity's credit risk and its presentation under OCI, instead of through profit or loss. As an exception to this alteration, IFRS 9 in general transposes the classification and measurement guidelines, established in IAS 39, for financial liabilities, without substantial alterations.

IFRS 9 (2013) introduced new requirements for hedge accounting, which aligns it more closely with risk management. The requirements also establish a greater addressing of hedge accounting principles, resolving various weaknesses contained in the hedge model of IAS 39.

IFRS 9 (2014) establishes a new model of impairment based on "expected loss" that will replace the current model based on "losses incurred", established in IAS 39.

Thus, the loss event no longer needs to be checked before constituting impairment. This new model seeks to accelerate the recognition of impairment losses through impairment applicable to debt instruments held, whose measurement is at amortised cost or at fair value under OCI.

If the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will generate a cumulative impairment equal to the expected loss estimated to occur in the next 12 months.

If the credit risk has increased significantly, the financial asset will generate a cumulative impairment equal to the expected loss estimated to occur until its maturity, thus increasing the amount of recognised impairment.

After the loss event (currently known as "objective evidence of impairment"), the cumulative impairment is directly allocated to the instrument in question, with its accounting treatment being similar to that of IAS 39, including treatment of the corresponding interest.

IFRS 9 will be mandatory for periods starting on or after 1 January 2018.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

In May 2014, the IASB issued IFRS 15 – Revenue from contracts with Customers, of mandatory application in periods starting on or after 1 January 2017. This standard revoked IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter transactions involving advertising services.

IFRS 15 determines a model based on 5 steps of analysis, so as to determine when the revenue should be recognised and its amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the Customer, measured by the amount that the entity expects that it is entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

- At the very moment when the control of goods or services is transferred to the Customer; or
- During the period, to the extent that it depicts the performance of the entity.

The Group is still evaluating the impacts of adopting this standard.

IMPROVEMENTS TO THE IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle issued by the IASB on 25 September 2014 introduce amendments, with effective date of application for periods starting on or after 1 July 2016 to IFRS 5, IFRS 7, IAS 19, IAS 34.

The Group does not anticipate any impact on the application of this amendment on its financial statements.

IAS 27 – EQUITY METHOD IN THE FINANCIAL STATEMENTS

On 12 August 2014, the IASB issued amendments to IAS 27, with effective date of application for periods starting on or after 1 January 2016, so as to introduce an option for the measuring of subsidiaries, affiliates or joint ventures by the equity method in separate financial statements.

The Group has not yet taken any decision on the possible adoption of this option in its separate accounts.

STATEMENT OF RESPONSIBILITY OF THE DIRECTORS

ANNUAL REPORT
2014

BIM – Banco Internacional de Moçambique, S.A.

ANNUAL FINANCIAL STATEMENTS *FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2014*

STATEMENT OF RESPONSIBILITY OF THE DIRECTORS

Executive Committee

The directors are responsible for the appropriate preparation and presentation of the annual financial statements of BIM – Banco Internacional de Moçambique, S.A., comprising the financial position statement, as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year ended on that date, as well as the notes to the financial statements, which include a summary of the main accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards.

The directors are also responsible for the relevant internal control system for the appropriate preparation and presentation of these financial statements that are free of material distortions, whether due to fraud or error, and for maintaining appropriate accounting records and an effective risk management system.

The Directors assessed the ability of the Bank to continue operating with due observance of the going concern principle, having found no reason not to believe that the Bank will continue to operate in accordance with this principle in the near future.

The auditor is responsible for reporting on whether the financial statements are appropriately presented in conformity with the International Financial Reporting Standards.

Approval of the annual financial statements

The annual financial statements of BIM – Banco Internacional de Moçambique, S.A., as mentioned in the first paragraph, were approved by the Board of Directors on 19 February 2015 and are signed on its behalf by:

Manuel d'Almeida Marecos Duarte
(Chairman)

António Manuel Duarte Gomes Ferreira
(Director)

Teotónio Jaime dos Anjos Comiche
(Director)

Ricardo David
(Director)

Rogério Gomes Simões Ferreira
(Director)

João Manuel R.T. da Cunha Martins
(Director)

Jorge Octávio Neto dos Santos
(Director)

INDEPENDENT AUDITORS' REPORT

ANNUAL REPORT
2014

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.,

We have audited the financial statements of BIM – Banco Internacional de Moçambique, S.A., which include the statement of the financial position as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year ended on that date, as well as a summary of the main accounting policies and other explanatory notes, on pages 64 to 150.

RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The company's Board of Directors is responsible for the appropriate preparation and presentation of these financial statements, in accordance with the International Financial Reporting Standards, as well as for maintaining a relevant internal control system for the appropriate preparation and presentation of financial statements that are free of materially relevant distortions, whether due to fraud or error.

RESPONSIBILITY OF THE AUDITORS

It is our responsibility to issue an opinion on these financial statements based on our audit. Our audit was conducted in conformity with the International Audit Standards. Such standards require that we comply with relevant ethical standards, as well as plan and perform the audit so as to obtain reasonable assurance that the financial statements are free of materially relevant distortions.

An audit includes the application of procedures that allow us to obtain audit evidence on the amounts and disclosures presented in the financial statements. The selected procedures depend on our judgement, including the assessment of the risks of material distortion of the financial statements, whether due to fraud or error. In making these risk assessments, we consider the relevant internal controls for the appropriate preparation and presentation of the financial statements by the entity, in order to permit the design of audit procedures that are suitable, under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control systems. An audit also includes the assessment of the adequacy of the accounting principles adopted and the reasonableness of the accounting estimates made by the Board of Directors, as well as an assessment of the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a reasonable basis for us to issue our opinion.

OPINION

In our opinion, the financial statements present, in a true and appropriate form, in all materially relevant aspects, the financial position of BIM – Banco Internacional de Moçambique, S.A., as at 31 December 2014, its financial performance and cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards.

KPMG

Maputo

19 February 2015

Translation from the original Portuguese version.

OPINION OF THE BOARD OF AUDITORS

ANNUAL REPORT

2014

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

Pursuant to the legal and statutory provisions, the Board of Auditors submits to the Shareholders the report on the supervisory action undertaken at BIM - Banco Internacional de Moçambique, S.A., as well as its opinion on the Consolidated Financial Statements of the Millennium bim Group, the Financial Statements on an individual basis of the Bank and the Report of the Board of Directors relative to the financial year ended on 31 December 2014.

In compliance with its duties, the Board of Auditors has held meetings throughout the year with the frequency required by law and has supervised the activity of the Bank, essentially through the appraisal of the Monthly Financial Statements and respective Management Information, through participation in the meetings of the Board of Directors and the contact maintained with the Board of Directors, and through the information collected by the management information systems of the Bank, seeking to assess the development of the activity.

Special attention was given to the main transactions that explain the most significant variations in the main indicators of the Bank's activity (on an individual basis), namely:

- The 15.1% increase in Net Interest Income, influenced mainly by the combined variation of the following indicators:
  - i). 19% increase in the volume of net loans to customers; and
  - ii). 49% variation in the portfolio of bonds and other fixed income securities available for sale.
- The 1.7% increase in Other Net Income, due to:
  - i). a 1.8% increase in Income from Equity Instruments (dividends received from Seguradora Internacional de Moçambique, S.A.);
  - ii). a 9.7% increase in Net Commissions;
  - iii). a 15.4% increase in Net Income from Financial Operations; and
  - iv). about 59.7% decrease in Other Net Operating Income, not including other provisions.

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BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

- That the **Consolidated Statement of Changes in Equity** and the **Statement of Changes in Equity of the Bank** show Equity as at 31 December 2014 of 18,025.97 million meticais for the Group and of 16,551.64 million meticais for the Bank.

As a result of the verification carried out and information obtained, the Board of Auditors:

1. Is of the opinion that the Consolidated Financial Statements and the Financial Statements of the Bank (comprising the following items of the Group and of the Bank: Balance Sheet, Income Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Equity and respective Notes):

   i). are in conformity with the Law and comply with the statutory provisions, as well as the rules issued by the Central Bank;

   ii). were prepared in accordance with the International Financial Reporting Standards (IFRS); and

   iii). reflect, in a true manner, the financial situation of the Group and of the Bank as at 31 December 2014, as well as the result of the operations carried out by the Group and the Bank during the financial year.

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

- The variation in the quality of the loan portfolio reflects:
  - i). a 52% increase in past due loans by more than 90 days;
  - ii). an increase of the "past due to total loans" ratio, from 1.7% in 2013 to 2.2% in 2014; and
  - iii). a decrease of the coverage ratio of past due loans from 348% in 2013 to 241% in 2014.

  Credit impairment (net of recovery of loans written off) stood at 500.7 million meticais in 2014, compared to 446.2 million meticais in 2013.

  Customer funds (deposits and debt securities issued) increased from 67,623 million meticais in 2013 to 80,412 million meticais in 2014, corresponding to an increase of 19%.

- Operating costs increased by about 10%.
- The net income of the Bank, which reached about 3,493.6 million meticais in 2014, registered a 6% increase in comparison to about 3,302.9 million meticais in the previous year.

The Board of Auditors also appraised the Financial Statements audited by the External Auditor, including its favourable Opinion, which indicate:

- That the **Consolidated Balance Sheet** and the **Balance Sheet of the Bank**, BIM - Banco Internacional de Moçambique, S.A., as at 31 December 2014, appropriately reflect the financial situation of the Group and of the Bank;
- That the **Consolidated Income Statement** and the **Income Statement of the Bank** indicate a consolidated profit of 3,677.9 million meticais and a profit of the Bank of 3,493.6 million meticais, which reflect the results of the activity of the Group and of the Bank;
- That the **Consolidated Comprehensive Income Statement and the Comprehensive Income Statement of the Bank** and the **Comprehensive Income Statement of the Bank** present a comprehensive income of the Group of 3,694.3 million meticais and a comprehensive income of the Bank of 3,469.6 million meticais, respectively;
- That the **Consolidated Cash Flow Statement** and the **Cash Flow Statement of the Bank** present an increase during the year in Cash and cash equivalents of 856.5 million meticais for the Group and 854.7 million meticais for the Bank; and

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

2. It is our opinion that the General Meeting should:

   i). Approve the Management Report of the Board of Directors and the Consolidated Financial Statements of BIM – Banco Internacional de Moçambique relative to the financial year ended on 31 December 2014;

   ii). Express its vote of support for the performance of the Board of Directors and of all the other employees of Millennium bim in 2014.

Maputo, 21 February 2015

THE BOARD OF AUDITORS

António de Almeida – Chairman

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime – Member

Maria Iolanda Wane – Alternate Member

OPINION OF THE BOARD OF AUDITORS

The Board of Auditors analysed the proposal of the Board of Directors relative to the distribution of Net Income, of the value of 3,493,636,411.47 Meticais, approved at the Board of Directors' meeting held on 19 February 2015.

In view of the robust financial situation of BIM, demonstrated in particular by the adequacy of its eligible equity, of the value of 11,786 million Meticais and by the comfortable solvency ratio of 19%, as well as the natural expectation of the shareholders of being remunerated for the capital invested in BIM, the proposal is deemed appropriate.

As a result of our analysis, the Board of Auditors is of the opinion that the General Meeting should approve the proposed Distribution of Net Income, of the value of 3,493,636,411.47 Meticais, as follows:

• To the Legal Reserve	15.00%	524,045,461.72 Meticais
• To the Free Reserve	47.50%	1,659,477,295.45 Meticais
• To the Dividend Stabilisation Reserve	2.50%	87,340,910.29 Meticais
• Distribution to the Shareholders	35.00%	1,222,772,744.01 Meticais

Maputo, 21 February 2015

The Board of Auditors

António de Almeida – Chairman

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime – Member

Maria Iolanda Wane – Alternate Member

Translation from the original Portuguese version.

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BIM – Banco Internacional de Moçambique, S.A.

www.millenniumbim.co.mz

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Maputo/Moçambique

Share Capital:
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June 2015

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Millennium bim