Annual Report 2013

Millennium bim

ANNUAL REPORT MILLENNIUM BIM 2013

The BIM – Banco Internacional de Moçambique, S.A., Annual Report is prepared in Portuguese. This is a translated version and should there be any doubt the Portuguese version must be consulted.

Annual Report 2013

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BIM – Banco Internacional de Moçambique, S.A.

Mário Fernandes da Graça Machungo
Chairmam of the Board of Directors

CHAIRMAN'S STATEMENT

In completing yet another year of the life of our Bank, we see that the achieved results are particularly pleasing. Due to the strict management criteria followed and our constant drive to meet the needs of our Individual and Company Customers, Millennium bim upholds its leadership on the market that was conquered various years ago.

In 2013, the economic context continued favourable, with the world economy having maintained significant growth. We have experienced the strengthening of the conditions of socioeconomic growth of our country, giving rise to higher confidence, greater investment and more business opportunities. As a leading Bank of the system, Millennium bim has acted in order to support national development, contributing, in its role of financial intermediation, to catalyse the vital forces of the economy.

Particular note should be made of the Bank's continued effort to open new Mass Market and Prestige branches, in line with the interest of the Supervisory Authorities in increasing the population's participation in the banking sector and enabling effective and close support to the national business fabric. Maintaining its tradition of innovation, with a strong technological component, Millennium bim introduced Millennium IZI, a new mobile banking concept which quickly merited the strong participation of its Customer base, due to its user-friendliness and accessibility to accounts. Also in 2013, Millennium bim was the first Bank to offer its Customers, in partnership with EDM, the purchase of Credelec Online through the Mobile and ATM channels. Accompanying the technological evolution and best practices worldwide, the Bank completely renovated its presence on the Internet, with the launch of a new website, and two new Internet Banking platforms, directed at Individuals and Companies.

Aware of its responsibility in economic development, the Bank has strengthened its commercial structure in order to offer greater proximity and support to the business initiatives and strategic projects of the country. Hence, in 2013, the Bank invested extra resources in the Investment Banking component, both in the commercial sphere and concerning the processes supporting this activity.

Since risk management is an underlying element of careful management, the Bank has reinforced its credit analysis and granting criteria, and introduced new warning and monitoring systems for its loan portfolio, in order to assure swift intervention upon the first signs of possible non-performance. Finally, the loan recovery processes have also been strengthened so as to substantially reduce medium term loss ratios.

Millennium bim was, once again, distinguished by various national and foreign institutions with a variety of awards which, for the first time, reached the milestone of 13 distinctions in a single year. I would like to highlight, due to their importance, the Bank of the Year in Mozambique award attributed for the 7th time by the *The Banker* magazine of the *Financial Times*; Best Bank in Mozambique by *Emea Finance* as well as by *Global Finance*; Best Banking Group in Mozambique by *World Finance*; Best Bank in Mozambique in Trade Finance by *GTR* magazine; Best Bank in Mozambique by *Euromoney*; and *Superbrand* excellent brand by *Superbrands Mozambique*.

The Bank's Social Responsibility Programme More Mozambique for Me accomplished its 8th year of existence, expressing the Bank's highly socially responsible positioning. With More Mozambique for Me, Millennium bim fully undertakes its commitment to Society by participating in and promoting policies that support and encourage the well-being of communities, especially in the areas of Education, Health, Culture and Sports, which form the master guidelines of the Bank's sustainable action. The International Basketball Federation (FIBA) awarded the Bank for its continued support to national basketball, through its "Mini-basketball tournament", and support given to the Women's National Team, during the *Afro-Basket* held in Mozambique.

In my personal name and on behalf of the Bank's Board of Directors, I would like to thank all of our Customers, Shareholders, Authorities and Employees, for their support and confidence in Millennium bim, reiterating our enthusiasm and dedication towards always accomplishing the goals which we set out to achieve.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

KEY INDICATORS

Million MZN

	2013	2012	2011	2010	VAR. % '13/'12
BALANCE SHEET					
Total assets	**85,428**	70,647	60,889	54,326	20.9%
Loans to customers (net)	**47,921**	38,230	34,192	34,982	25.3%
Total customer funds	**67,623**	56,369	48,852	44,634	20.0%
Equity and Subordinated liabilities	**14,414**	12,250	10,400	8,107	17.7%
PROFITABILITY					
Operating income	**8,040**	7,459	7,873	6,560	7.8%
Operating costs	**3,681**	3,456	3,102	2,934	6.5%
Impairment and Provisions	**463**	502	716	961	-7.7%
Income tax	**592**	523	639	417	13.2%
Net income attributable to the Bank's Shareholders	**3,303**	2,978	3,418	2,248	10.9%
Cost to income ratio	**45.8%**	46.3%	39.4%	44.7%	
Return on equity (ROE)	**25.6%**	27.2%	38.8%	32.1%	
Return on assets (ROA)	**4.3%**	4.6%	6.0%	4.4%	
CREDIT QUALITY					
Loans overdue by more than 90 days/Total loans	**1.7%**	2.0%	1.5%	0.9%	
Non-performing loans/Total loans	**1.8%**	2.1%	1.7%	1.1%	
Loan impairment/Loans overdue by more than 90 days	**348.0%**	354.0%	479.4%	569.2%	
Cost of risk	**91b.p.**	113 b.p.	208 b.p.	199 b.p.	
SOLVENCY(*)					
Tier I	**21.5%**	21.5%	17.6%	14.6%	
Total	**21.4%**	21.7%	17.9%	15.1%	
BRANCHES					
Branches	**157**	151	138	126	4.0%
CUSTOMERS					
Customers (thousand)	**1,216**	1,173	1,024	864	3.7%
EMPLOYEES					
Employees	**2,329**	2,298	2,230	1,950	1.3%

(*) Does not include the Net Income for the Year under review.

SUMMARY OF THE REPORT OF THE BOARD OF DIRECTORS

The world economy in 2013 was characterised by macroeconomic circumstances in transition. According to the forecasts of the International Monetary Fund (IMF), economic growth is being stimulated by the advanced economies, with the emerging markets growing less than expected. These fluctuations were reflected in a slowdown of growth of the world economy, from 3.2% to 2.9%.

During this period, the economy of the USA is estimated to have grown at less than 2%, as a result of the fiscal consolidation policy and automatic cuts in expenditure, which continued to follow the household deleveraging process with a restrictive impact on aggregate demand. On the other hand, the euro zone maintained high levels of unemployment due to the austerity measures, albeit showing the beginnings of a trend of recovery of economic growth, in comparison to the levels recorded at the end of 2012.

China, the principal engine of growth of the emerging economies recorded growth marginally below that of the previous year, standing at 7.6% (7.7% in 2012), essentially driven by the increased domestic demand and investment in infrastructures. The cooling down of growth of the emerging economies was primarily due to structural constraints, labour market reforms and greater difficulty in access to credit, arising from some tension in adaptation to changes in global financial conditions.

For 2013, and also according to the IMF, estimated economic growth for Sub-Saharan Africa stood at 5.1%. This robust growth continued to be sustained by the external demand for commodities (raw materials and energy), principally from the USA and China, with China having strengthened its dominant position in the African continent as an importer and funding agent of investment and infrastructure projects.

The real rate of economic growth in Mozambique should be close to 7%, driven by public investments and private consumption, as well as investments in the mining sector with demand for natural resources and energy products.

The relative stability of the exchange rate stability of the metical and the control of the inflation rate to levels below 4.9% determined the maintenance of the expansionary monetary policy of Banco de Moçambique, started during the second half of 2011 and embodied in the reduction of the rate of the Permanent Assignment Facility. Throughout 2013 there were three cuts in this reference rate, amounting to a total of 125 basis points from 9.5% to 8.25%, constituting a sign of support to the expansion of credit to the economy.

On the other hand, at a market level, there continued to be pressure to attract funds, with negative impact on the cost of funds. The maintenance of the monetary policy followed by Banco de Moçambique, through cuts in its reference rates and lower issue of Treasury Bills, which extended until May 2013, was reflected negatively in bank intermediation margins.

In 2013, Millennium bim upheld its position of leadership as the largest, most solid and most profitable financial Group in Mozambique, with 157 branches distributed over the entire country, consolidating its position as the Bank with greatest geographic penetration. Among the most important African banking institutions, Millennium bim was once again upgraded in the ranking defined by the magazine *African Business*, of IC publications, to hold the 62th place, and continues to be the only Mozambican bank included in the ranking of the 100 largest of Africa.

In terms of the provision of services via alternative channels, the Bank expanded its capillarity by increasing its total number of ATM (415) and POS (5,004) machines, having recorded year-on-year growth of 8% and 23%, respectively.

The strengthening of its leadership as a Universal Bank was underpinned by two pillars of action in terms of business initiatives, namely: i) the implementation of a strategy of segmentation of its Customer portfolio, which exceeded 1.2 million customers in 2013, and ii) the launch of innovative products and services in order to meet Customer needs and expectations.

In pursuing its segmentation strategy, the Bank has continuously consolidated its national coverage of the Prestige Network through the opening of new dedicated branches, thus maintaining its leadership in this segment that has become increasingly more dynamic and competitive in the market.

Maintaining its tradition of leadership, innovation and search to surpass its Customers' requirements, Millennium bim has, once again, introduced novelties on the market with the launch of its new website and a more interactive Internet Banking platform, which is easier to use, more accessible and more secure, in two specialised versions, one for individual customers and the other more directed at the needs of company customers.

The introduction of Millennium IZI, a new Mobile Banking platform that is compatible with all types of mobile telephones, has revealed the Bank's capacity to respond to the challenges posed by the economy, promoting, with innovation, the development of the Mozambican financial system. This system, by significantly simplifying the Customers' operations, through user-friendly menus which do not require installation, has led to the massive use of the Mobile channel. In 6 months, the Bank experienced a five-fold increase in the volume of monthly banking transactions, which jumped from 600 thousand to 3 million.

Furthermore, the Bank has provided Credelec recharge purchase services (prepaid electricity), at any time and at any place, through ATM and the Millennium IZI mobile system. The introduction of this facility, pioneer on the Mozambican market, has revolutionised the way that people purchase electricity, offering Customers convenience and speed.

At an organisational level, the Bank decentralised the Commercial Departments in 2013, with immediate efficiency gains enabling greater proximity to Customers. The operations and technological areas were also restructured with the adjustment of processes and structures, with positive impacts on cost optimisation and efficiency in the implementation of the strategies defined by the Bank.

The objective of the *IT Academy* and the *People Grow* and *Growing People* programmes launched under the Millennium Talent initiative is to boost capacity building among our human resources and accomplish best practices in the search for and retention of new and current employees, seeking to assure that their professional development is in line with the needs and requirements of a 21st century Bank serving the Mozambican economy.

These factors greatly contributed to Millennium bim being distinguished, once again, by various national and foreign institutions with the award of Best Bank and Best Financial Group in Mozambique, and having received the highest number (13) of distinctions ever, namely: (1) Bank of the Year in Mozambique attributed by *The Banker* magazine of the *Financial Times*; (2) Best Bank in Mozambique, distinguished by *Emea Finance* as well as (3) by the financial magazine *Global Finance* in addition to (4) by *Euromoney*, (5) Best Banking Group in Mozambique by the financial magazine *World Finance*; (6) Bank of the Year in 2013 by the magazine *InterContinental Finance*; and (7) Best Local Bank in trade finance by the magazine *Global Trade Review*.

Furthermore, Millennium bim was distinguished as (8) a *Superbrand* excellent brand by *Superbrands Mozambique* and received the international trophy (9) Leadership in Image and Quality awarded by *Global Trade Leaders*. Among its many distinctions, Millennium bim was also distinguished with the (10) FIBA Award for its contribution to the practice of Mini-basketball under its social responsibility programme and conquered a further three award attributed by PMR Africa (11) *Diamond Arrow* in the category of investment services, (12) *Gold Arrow* in the business banking category and (13) *Silver Arrow* in the retail banking category.

In spite of the demanding economic circumstances in which the financial sector operated, the consolidated net income of Millennium bim reached 3.4 million meticais (approximately 85 million euros), corresponding to 9% growth in relation to 2012, which led to a return on equity (ROE) above 24%. By the end of the year, loans to customers recorded growth of 24% in relation to 2012, having reached 50.9 thousand million meticais (approximately 1.23 thousand million euros). Customer funds increased by 19% to 65.6 thousand million meticais (1.59 thousand million euros). Notwithstanding the impact of the branch expansion programme on costs, and the aforesaid impact that Banco de Moçambique's monetary policy caused in squeezing margins, the efficiency (cost-to-income) ratio remained below 45%.

The strategies adopted by the Bank were directed at strengthening the attraction of Funds, including the obtaining of funding through DEG (*Deutsche Eentwicklungsgesellschaft*) and FMO (*Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden*), in order to be able to respond adequately to the strong growth in demand for credit, particularly credit in foreign currency. Moreover, the Bank boosted the Investment Bank business with its presence in large-scale projects, offering financial advisory services and, in some cases, even participating in the funding of the operations, which contributed to the strong evolution of the business, solidity and financial stability of the Bank.

Also in 2013, Millennium bim's subsidiary, Seguradora Internacional de Moçambique, a leader in the insurance market, recorded 2% growth in net income, reaching 399 million meticais and a combined ratio of 60.7%.

The Bank's Social Responsibility Programme More Mozambique for Me accomplished its 8th year of existence, reflecting the Bank's highly socially responsible positioning. With More Mozambique for Me, Millennium bim fully undertakes its commitment to Society by participating in and promoting policies that support and encourage the well-being of communities, especially in the areas of Education, Health, Culture and Sports, which form the master guidelines of the Bank's sustainable action.

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

Jorge Octávio Neto dos Santos
Director

Ricardo David
Director

Rogério Gomes Simões Ferreira
Director

João Manuel R. T. da Cunha Martins
Director

Manuel Alfredo de Brito Gamito
Director

SHAREHOLDER STRUCTURE

MZN

Shareholder	31 December 2013		
	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	Jorge Octávio Neto dos Santos (1)
Director	Ricardo David
Director	Rogério Gomes Simões Ferreira
Director	João Manuel R.T. da Cunha Martins
Director	Manuel Alfredo de Brito Gamito

(1) Appointment through co-optation by the Board of Directors on 22 July 2013.

Annual Report 2013

ECONOMIC ENVIRONMENT

ECONOMIC ENVIRONMENT

1. WORLD ECONOMY

The forecast global growth for 2013 is around 2.9%, according to the projections of the International Monetary Fund (IMF), showing a slight reduction in relation to the previous year (3.2%). The main drivers of economic activity are undergoing change, implying that the global economy is in transition, with economic growth being stimulated by the more advanced economies and the emerging markets growing less than that expected.

The USA has implemented a policy of support to economic recovery, focused on expansionary monetary policies at zero interest rates, as well as fiscal policies which have continued the purchase of public debt and consequent increase of the balance of the Federal Reserve Bank (Fed).

The consolidation of balances during the last 5 years has enabled reducing the debt levels of households, companies and banks with positive effects on the real sector. The recovery of the real estate sector has been visible, as well as the increased wealth of households combined with the relaxation in conditions of access to credit.

The maintenance of the sustainable growth (even if at a rate below that expected) of the emerging economies, led by China, has benefited from the moderate growth of the developed economies. Although the emerging economies have not yet finished their structural reform programme, their growth model has not been only directed towards exports but also to domestic consumption, stimulated by the improvement of wage conditions and demographic changes in these countries. This growth was important in reversing the trend of retraction of the euro zone.

Sub-Saharan Africa continued to record robust growth (5.1%) driven by the demand for raw materials and energy products, sustained by the growth of China and gradual recovery of the USA. At the same time, the growth of the middle class in the African continent has been expressed in the increased consumption and domestic credit in various countries of the region. In contrast, the South African economy was the one which recorded the lowest growth (2.0%).

The markets remained stable through 2013. Indeed, during the year, price bubble risk through influence of capital flows caused by the quantitative easing (QE) was not observed. Viewed from another perspective, deflation did not reach levels that would imply taking specific measures in the more developed countries, showing real growth and beyond the risk of recession.

It is in this macroeconomic context that stability of inflation is expected, since the recovery of the more advanced countries is taking place in a scenario of excess production capacity, combined with the prevailing unemployment level that should contain wage increases and keep commodity prices stable.

2013 was also marked by the heightening of social tensions arising from the increased unemployment and income disparity between different regions, under circumstances of choice of difficult policies, such as: increased retirement age, public expenditure cuts and reduction of the value of pensions, with consequences on consumption and aggregate demand.

Expectations are optimistic in terms of growth during 2014, where the global economy should grow by 3.2%, driven by the robust recovery of the USA and other developed countries, while, at the same time, the euro zone should emerge out of the recession and Asia record growth estimated at 6.6%, with China as a major player (7.4%). However, the growth scenario involves a variety of risks, such as, for example:

- The end of the expansionary monetary policies in the USA and the negative effects on the emerging economies, especially those dependent on capital flows for consumption and domestic investment, to support aggregate demand.
- In the case of the USA, the path of fiscal policy influenced by the political game between the Democrats and Republicans could have negative consequences, considering the risk of shut-down of the public sector in 2013 and if the debt ceilings are not removed, since public debt reaches approximately 70% of GDP.
- The risks of deflation and recession in the euro zone and the decline of prices in the USA should imply that monetary policies should be more accommodative than that expected.
- The situation of instability experienced in the Middle East, North Africa and Southern Sudan could have negative impacts on the price of oil and other commodities.

TABLE 1 – GDP GROWTH RATE MZN

Group/Countries	2009	2010	2011	2012	2013E	2014P
World economy	-0.7	5.1	3.9	3.2	2.9	3.6
USA	-3.5	3.1	1.8	2.8	1.7	2.6
Eurozone	-4.3	1.8	1.5	-0.6	-0.4	1.0
China	9.2	10.3	9.3	7.7	7.6	7.3
Brazil	-0.6	7.5	2.7	0.9	2.5	2.5
Sub-Saharan Africa	2.8	5.4	5.5	4.9	5.0	6.0

Source: FMI, WEO Oct. 2013, SCB Dec. 2013, RMB Jan. 2014.

UNITED STATES OF AMERICA

It is estimated that there was a real growth of GDP in the USA of around 1.7% in 2013 (below the 2% in 2012), in spite of the fiscal consolidation and continuous household deleveraging process, whose effect on consumption dampened aggregate demand.

The evolution of the economy took place in a scenario of moderate inflation (1.3%) and an unemployment level below 8.0%, even so, above the 6.5% indicator defined by the Federal Reserve Bank as necessary to reverse the expansionary monetary and fiscal policies.

2013 was marked by the possible shut-down of the public sector, reflecting divergences on the fiscal policy required to stimulate growth and uncertainty on its future direction. However, along with falling unemployment, increased confidence of consumers and recovery of the real estate sector, the external sector should record a lower current account deficit in 2013 (2.5%) than in 2012 (2.7%).

CHINA

GDP growth in 2013 should stand at 7.6%, after a more robust (7.8%) path in the third quarter of the year and with inflationary pressure recording figures above 3.0%.

This growth is underpinned by domestic demand, expenditure on infrastructure and selective credit to small and medium-sized enterprises (SME). In spite of the signs of moderation in credit conditions and in the real estate market, as well as in exports which are estimated to have grown by 8.0%, growth continued robust. The measures announced by the CPC (Communist Party of China) should direct the economy towards reforms of a structural nature which consolidate market directives, with progress in the gradual liberalisation of some markets.

For 2014, growth is expected to record a modest slowdown to 7.4% due to the 11% contraction of credit (14% in 2013). Inflation should continue on an upward trend to levels of 3.3%. However, China should continue to recover a surplus of 2.5% of GDP (2.1% in 2013) in its public accounts and 3.7% of GDP (3.3% in 2013) in its external accounts.

EUROZONE

The budget austerity programmes took the euro zone into a technical recession, with a 4% reduction of GDP in relation to 2012. This evolution corresponds to a specific geographic distribution:

- The southern and peripheral region, which achieved some success in budget balance and recovery of external accounts, where recovery is expected in the near future in spite of the high unemployment levels.
- In contrast, and in spite of weak growth, Germany is estimated to have grown by close to 0.5%, alongside a lethargic France (0%).

As a whole, the euro zone remained in recession, indicating that the austerity programmes were not offset by fiscal stimulus programmes in the surplus countries of central Europe.

The estimated growth of 1% for the euro zone is a sign of recovery for 2014, marking an exit from the recession and the stability of unemployment indices.

SUB-SAHARAN AFRICA

The economic growth of Sub-Saharan Africa should stand at 5.1%, driven by the demand for energy products and raw materials, but with some countries recording above-average growth, such as, for example, Sierra Leone (11%), Ivory Coast (8.%), Ethiopia (7.0%), Mozambique (7.0%), Ghana (7.4%), Nigeria (6.7%) and Tanzania (6.8%). This scenario contrasts with the moderate growth of South Africa (2.0%).

The robust growth in these countries was influenced by the investment flows in the commodity and energy product sectors, especially the East Coast of Africa, to which Mozambique belongs. In addition to the export-driven outlook of the growth model, it is important to note the growth of infrastructures and expansion of the base of the domestic market, which is reflected in increased consumption and public expenditure, factors which favour aggregate demand.

The argument that reorientation towards Asia was a critical factor was extremely evident in 2012. This perspective was maintained during 2013, based on the strong growth of China, the second largest economy of the world. At the same time, exports of the African continent were also favoured by the sustainable recovery of the more developed countries.

It is important to note the prevalence of budget deficits in the majority of the countries of the region, with the exception of Botswana (1.0% of GDP) and Angola (2.0% of GDP), where Angola has a surplus in terms of the current trade balance. Aimed at reversing this situation, various countries have implemented reforms, however, based on wage increases (Ghana, Zambia, Kenya), giving rise to a deterioration of the quality of sovereign risk, while at the same, the efforts to expand the tax base have not yet produced the desired effects.

The expectations for 2014 are accelerated growth (5.5%), in a scenario where the East African region could benefit from a strong boost due to the development of infrastructures related to the new gas and oil operations. Some of the risks and challenges to be observed are listed below:

- Inflationary pressure, with the increased public expenditure (from 7.3% in 2013 to 7.9%), which could take reference rates on an upward trend(1), especially in Nigeria (12% to 12.5%) and Kenya (8.5% to 9.5%).
- The vulnerability of some countries to the issue of financial assets. In markets where a certain percentage is held by non-residents, a change in the policy of the USA could lead to asset volatility.
- Elections in Botswana, Mozambique and South Africa could determine the direction of expansionary fiscal policies.

SOUTH AFRICA

Growth has shown signs of slowdown, which is expected to stand at 2.0% in 2013 (2.5% in 2012), fundamentally due to the negative effects of the variables that contribute to private consumption: unemployment, household indebtedness and more restrictive criteria in credit concession. These factors are reinforced by the disruptions in the mining and industrial sectors as well as the upward pressure on wages, notwithstanding the stimulus to exports arising from the depreciation of the rand (ZAR).

Inflation is estimated at 5.9% in 2013 (5.7% in 2012), arising from the mechanisms of transmission of the depreciation of the ZAR, as well as the higher price of fuel and electricity, combined with a modest increase of the price of food products.

The South African Reserve Bank (SARB)(2) maintained its reference rate at 5.0%, signalling a monetary policy favourable to demand, in view of the limitations of the external channels and fiscal policy(3).

It is estimated that the public deficit is 4.2% of GDP in 2013, with the intention of maintaining an attitude of consolidation in the future. These consolidation efforts contrast with pro-growth policies which would require the adoption of expansionary fiscal policies.

It is estimated that the current deficit will stand at 6.3% of GDP (6.1% in 2012), with expected reduction in view of the decline of consumption. On the other hand, South Africa faces enormous risks of capital reversal (sudden stop), which could negatively affect the capital flows which are so necessary for external equilibrium due to the chronic deficit of the country's current trade balance.

However, the possible recovery of the economies of Western Europe, the principal destination of South African exports, could lead to a climate that is more favourable to the country's economic growth, which is expected to grow by 2.5% in 2014.

(1) Nigeria recently increased its reserve rate from 12% to 50%.
(2) SARB: South African Reserve Bank.
(3) The weaker ZAR and the risk of the end of monetary policies favourable to capital flows into emerging markets is likely to have influenced the postponement of the implementation of monetary policy measures, in order to stimulate aggregate demand, with the reference interest rate having been kept at 5.0%.

2. ECONOMY OF MOZAMBIQUE

According to data published by the National Statistics Institute (INE) for the third quarter of 2013, GDP grew by 8.1% year-on-year, representing a slowdown of the economy of around 0.3% in relation to the second quarter. In accumulated terms, economic growth should reach 7.0% year-on-year, and, therefore, below the initial estimates of 8.4%.

The principal motives for this downward review are the floods which devastated the country in the beginning of the year and the dampening of coal export forecasts influenced by two factors, namely: (i) infrastructure constraints and (ii) slight fall of the price of the commodity. Notwithstanding the above, the above average growth compared to the region in Sub-Saharan Africa was driven by public investment, private investment in the mining sector and exports and expansion of private consumption, boosted by the strong granting of credit to the economy.

During the period under review, the tertiary sector was the one which recorded the highest growth (8.8%), in particular transport and communications which grew by 15.5%. This was followed by the primary sector with a growth rate of 7.0%, driven by the mining industry which increased by 21.4%.

The positive performance of water and electricity (with growth of 15.5%) stood out the most in the growth of the secondary sector.

However, the agricultural sector is the one which represents the greatest weight in the Mozambican economy, having contributed with 22% of GDP in the third quarter of 2013.

It should be noted in particular that the transport and communications sector, comprising the second highest weight in GDP, was driven by the growth of activity associated to commodity export logistics and to the increased cargo handling capacity of ports and railway lines, in the context of the privileged location of Mozambique in relation to the countries of the hinterland.

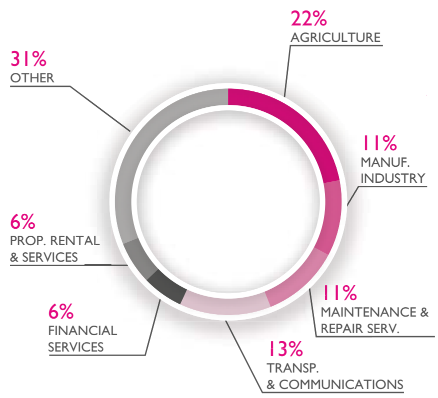
INFLATION

The general price index evolved positively during 2013 with the year-on-year net change as at the end of the year standing at 3.5% (2.02% in 2012), showing an acceleration of average inflation of 2.4% in January to 4.3% in December 2013. The factors exerting pressure on inflation, in general, arise from the increased prices of the category of food products and non-alcoholic beverages and, partially, from the aggravation of housing and energy product prices.

In contrast, there were also various factors dampening inflationary pressure such as the price decline of some commodities on the international market, namely fuel and rice. On a different level, containment has been observed in the mechanisms of transmission via imports due to: (i) the relative stability of the metical in relation to the USD and (ii) the appreciation of the national currency in relation to the ZAR.

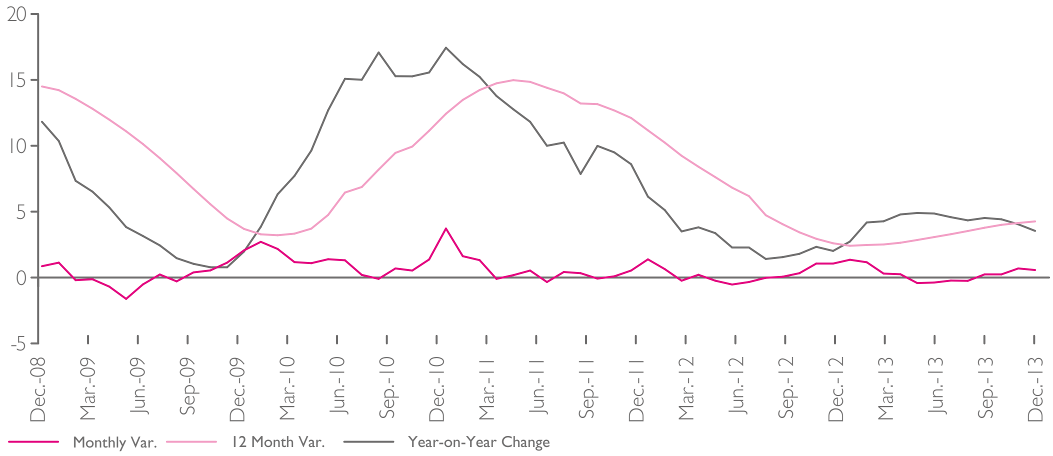
In line with the year-on-year decline of inflation, after having reached a peak of 4.9% in May 2013, Banco de Moçambique cut the reference rate of the Permanent Assignment Facility three times, from 9.50% in January to 8.25% in December, to a total of 125 basis points, a clear sign of support to credit expansion and economic growth of the country.

SECTORIAL CONTRIBUTION, GDP (3rd Quarter, 2013)



Source: INE

EVOLUTION OF INFLATION



Source: INE

Million MZN

Macroeconomic Indicators	2008	2009	2010	2011	2012	**2013E**
Real GDP (annual change)	6.8%	6.3%	7.2%	7.3%	7.5%	7.0%
Inflation (average change)(1)	10.3%	3.4%	12.7%	8.4%	2.9%	4.1%
Money supply (annual change)(2)	26.0%	32.6%	29.3%	6.4%	18.3%	21.5%
Current trade balance (% GDP)(3)	-12.2%	-10.5%	-11.7%	-24.3%	-36.5%	-40.0%
Budget balance (% of GDP)(3)	-2.3%	-5.4%	-4.3%	-5.3%	-4.2%	-6.7%
MZN/USD rate at the end of the period	25.5	29.2	32.8	27.1	29.8	30.1
MZN/USD exchange rate % change	7.1%	14.5%	12.3%	-17.4%	10.0%	1.0%
MZN/ZAR rate at the end of the period	2.72	3.96	5.03	3.40	3.50	2.90
MZN/ZAR exchange rate % change	-22.3%	45.6%	27.0%	-32.4%	2.9%	-17.1%

Notes: E – estimates, except exchange rate (Mbim); 1) and inflation (INE); 2) Updated pursuant to IMF/Government Country Report 13/200 (2010-2013); 3) *Ibidem*, after donations.

PUBLIC ACCOUNTS

The available data up to the first semester of 2013 indicate a year-on-year nominal increase of revenue of around 28%, against an increase of current expenditure of 15%. In terms of investment there was a decrease of 11%, due to the non-implementation of close to half the investment programme, leading to a reduction of the deficit before donations from 3.1% to 1.8% of GDP.

The value of current expenditure stood at 9.7% of GDP, structurally influenced by staff costs (55%), acquisition of goods and services (20%) and transfers (17%). The amount of revenue gained corresponded to 10.4% of GDP.

Concerning the funding of the deficit in the first semester of 2013, 64% of needs were covered by domestic sources, 17% by foreign credit, 10% by special programmes and 8.5% by donations. It is important to note that foreign loans amounted to 8,976 million meticais, representing a nominal increase of around 79%.

Million MZN

Public Accounts	2012 - S1	2013 - S1	Var (%)	**%GDP (2013)**
(+) Total Revenue	43,567	55,656	28%	10%
(-) Current Expenditure	**38,325**	**44,218**	**15%**	**10%**
(-) Investment Expenditure	17,262	15,347	-11%	3%
(+) Other Revenue(1)		**5,458**		
(=) Balance Before Donations	n.a.	-9,367	23%	-2%

Source: Banco de Moçambique; 1) Adjusted in order to obtain the balance before donations as explained due to lack of information; "n.a." – information not available.

EXTERNAL BALANCE

The trade, service and income balance recorded a negative figure during the first semester of 2013:

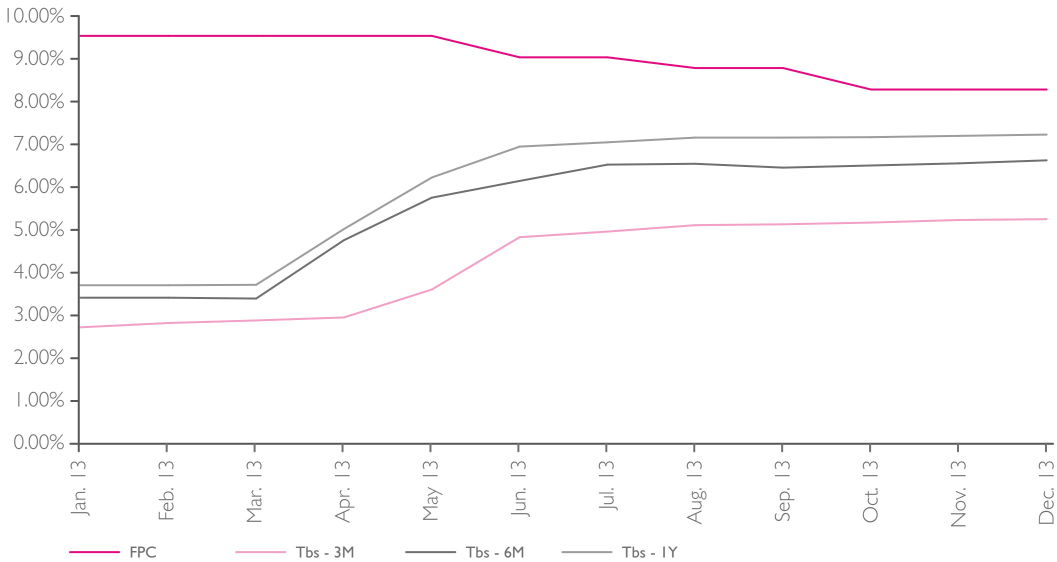
- This deficit was the result of the decline of approximately 12.6% in exports (1.7 thousand million USD), against the increase of approximately 5.5% in imports (4.0 thousand million USD).
- The deterioration of the trade balance is explained on the export side by the decline in aluminium prices, the decreased provision of energy and the reduction of traditional exports. On the other hand, the significant increase of imports was the result of the acquisition of intermediate goods and equipment under the implementation of major investment projects.
- In the first semester of 2013, the service balance recorded a deficit of 1.2 thousand million USD, explained by payments to non-residents involved in the provision of construction services for the large-scale projects.
- The income account recorded a deficit of 16.6 million USD, corresponding to a 24% reduction of the deficit, year-on-year.

The current balance deficit was financed by capital flows, especially directed to the mining industry sector, whose value reached around 3.5 thousand million USD, 42% higher than that recorded for the same period of the previous year, partially offset by the repayment of liabilities to foreign entities, giving rise to a net flow of around 2.8 thousand million USD.

3. MOZAMBICAN FINANCIAL SYSTEM

With the objective of promoting greater efficacy of monetary policy under its strategic plan for the three-year period of 2011/2013, Banco de Moçambique maintained a fairly interventionist attitude in the interbank money market throughout 2013, having implemented three cuts to the rate of the Permanent Assignment Facility (FPC) and two cuts to the rate of the Deposit Permanent Facility (FPD). These interventions were embodied in the annual reduction of the FPC rate by 125 b.p. and FPD rate by 75 b.p., to 8.25% and 1.50%, respectively, thus placing the spread between the two main intervention rates at the minimum value of the last 54 months, *i.e.*, 6.75%.

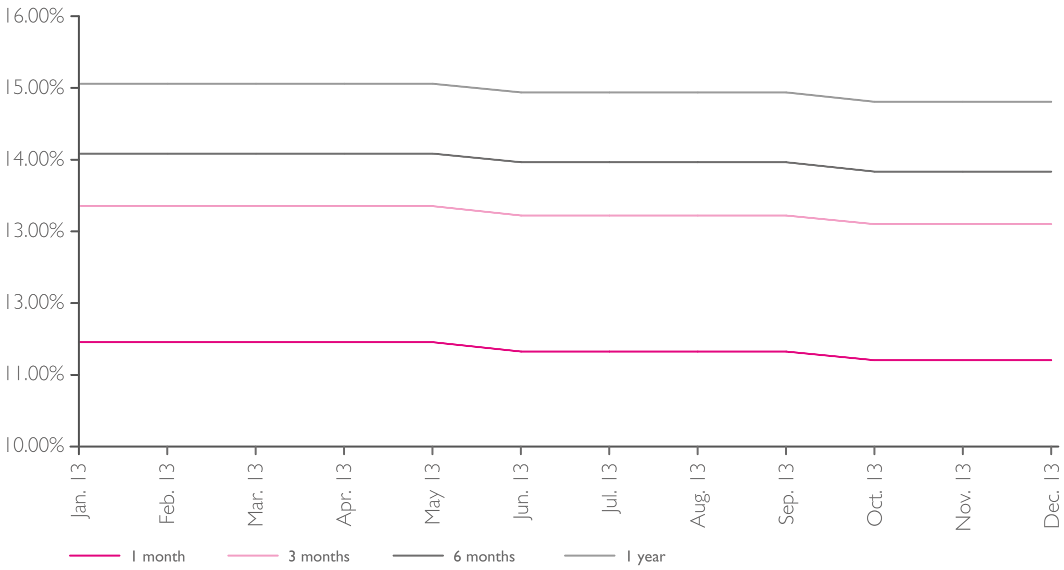
REFERENCE RATES 2013



In terms of the market, pressure was exerted to attract funds with negative impact on their cost. Combined with this fact, the maintenance of the monetary policy followed by Banco de Moçambique, of cuts in its reference rates and lower issue of Treasury Bills, which extended until May 2013, was reflected negatively in the intermediation margin of the banking system.

Throughout 2013, the Maibor (Maputo Inter Bank Offer Rate) followed the downward trend of the reference rates of Banco de Moçambique, but in a less pronounced manner. The Required Reserve rate remained unchanged throughout 2013 at 8%.

MAIBOR EVOLUTION 2013 (%)

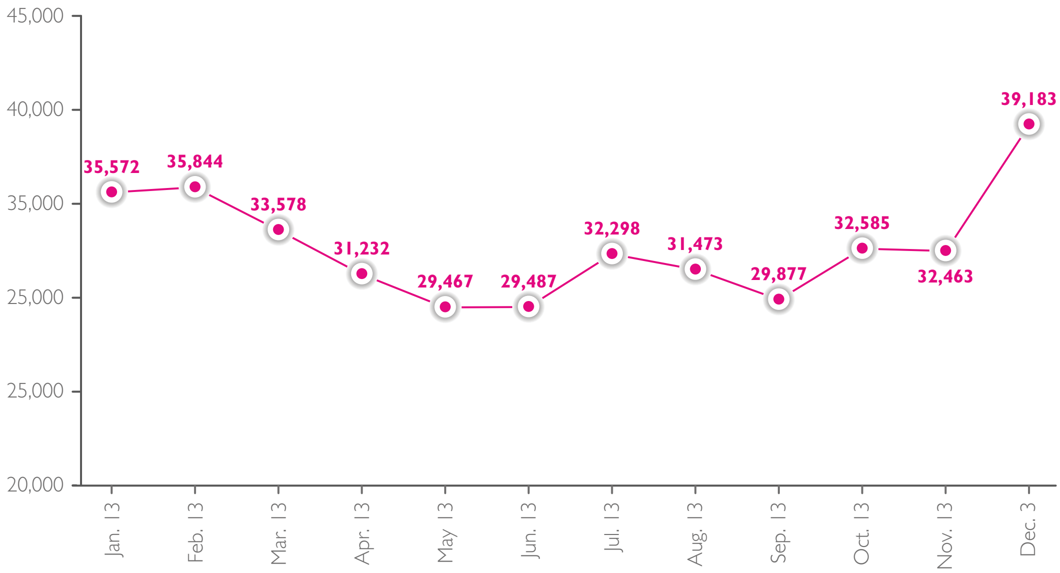


The liquidity exchange rate on the interbank money market increased slightly between January and December 2013, having shifted from 2.9% to 3.4%. Special note should be made of the sharp increase of Treasury Bill rates for all maturities.

	Evolution interest rates in the IMM		
	Dec-12	Dec-13	Variation
91 days	2.59%	5.23%	2.64% ↑
182 days	3.38%	6.60%	3.22% ↑
364 days	3.68%	7.20%	3.52% ↑
Swaps	2.89%	3.43%	0.54% ↑
FPD	2.25%	1.50%	-0.75% ↓
FPC	9.50%	8.25%	-1.25% ↓

LIQUIDITY OF THE SYSTEM

(Thousand MZN)

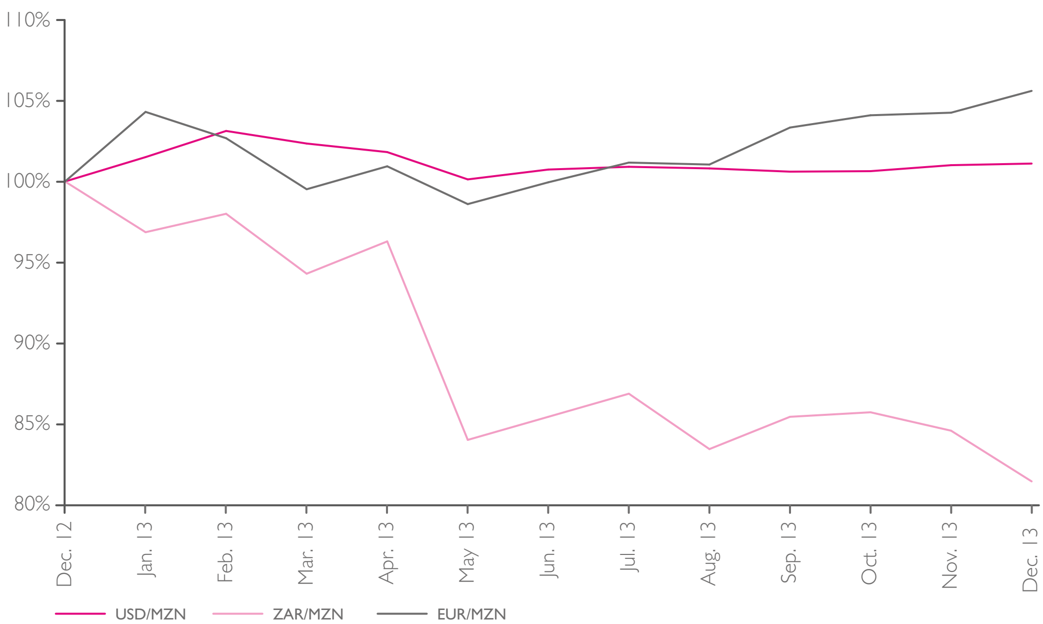


According to the information of Banco de Moçambique, in December 2013, the total deposits of the system stood at 209,666 million meticais and credit reached 157,911 million meticais, which implies a loan-to-deposit ratio of 75.3%, at approximately 578 b.p. higher than in the same period of the previous year.

During 2013, the State made two Treasury Bond issues to the values of 2,156 and 1,002 million meticais, with 4 and 3 year maturity, respectively.

2013 was also marked by the relative stability of the metical in relation to the main international currencies. Compared to December 2012, the metical devalued by around 1.1% relative to the USD and 5.6% relative to the EUR, although it appreciated strongly by 18.6% in relation to the ZAR (rand). At the end of December 2013, these three currencies stood at USD/MZN 30.0, ZAR/MZN 41.4 and EUR/MZN 2.85, respectively.

EVOLUTION OF THE MAIN CURRENCIES/MZN



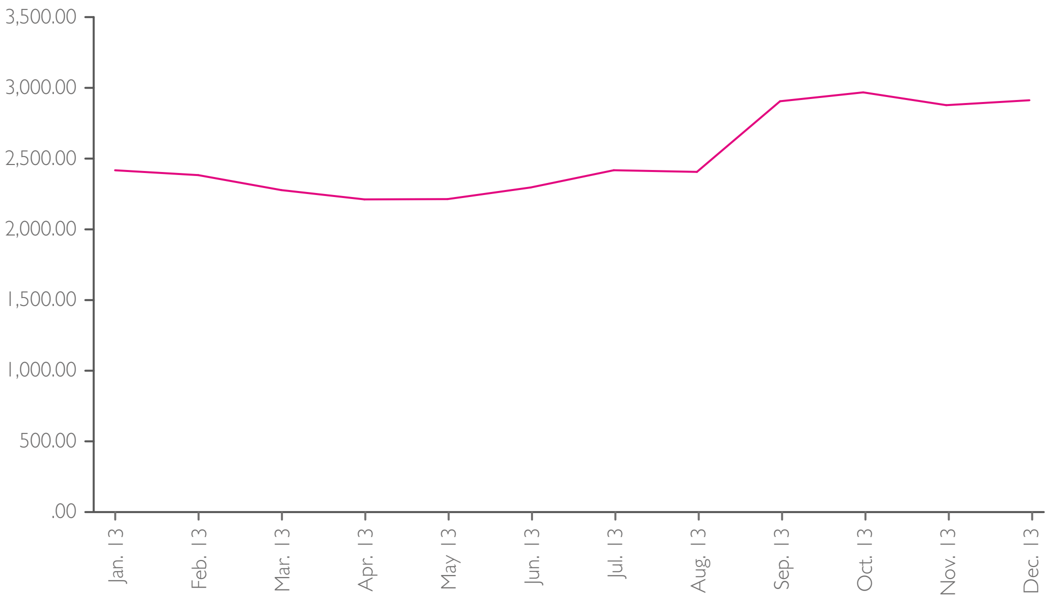
The previous graph reflects the exchange rate variations of the metical relative to the main currencies traded in the Mozambican financial system. In general, Banco de Moçambique assured almost all the sale of foreign currency for the full payment of invoices related to fuel imports (oil syndicate), attenuating the volatility of the metical. Commercial banks participated occasionally in intermediation operations for the purchase and sale of foreign currency for the operations of the oil syndicate.

According to the Central Bank, the preliminary balance of net international reserves stood at 2,912 million USD as at 15 December 2013, compared to 2,656 million USD in December 2012.

During the year, Banco de Moçambique placed approximately 731 million USD on the foreign exchange market and acquired 98 million USD, reflecting the long currency positions of the commercial banks at various periods of the year. In terms of gross international reserves, the closing balance for the year remained at the level of the previous year with the coverage of imports of goods and services corresponding to 6.5 months.

EVOLUTION OF THE BALANCE OF LIQUID INTERNATIONAL RESERVES 2013

(Million USD)

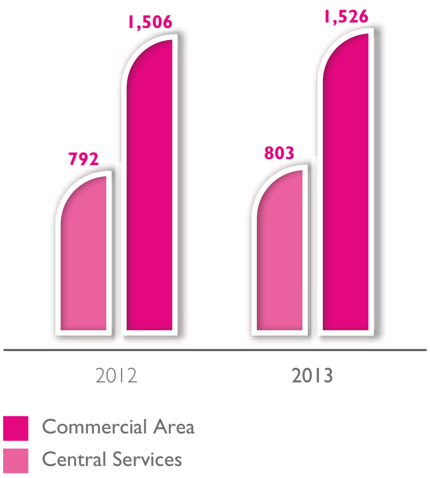


Annual Report 2013

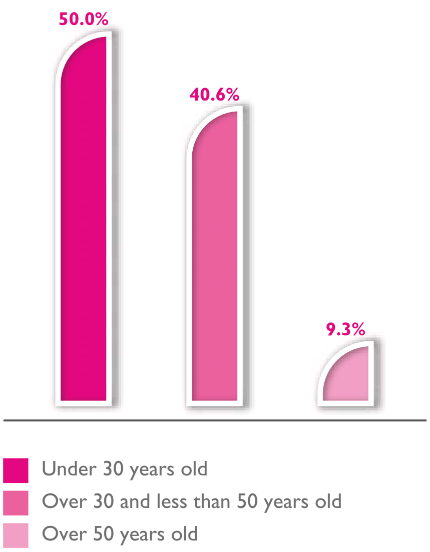
ACTIVITIES OF MILLENNIUM BIM

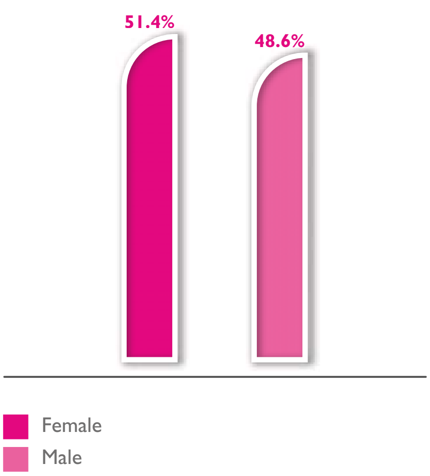
EMPLOYEES

NUMBER OF EMPLOYEES BY AREA OF ACTIVITY



DISTRIBUTION BY AGE GROUP AND GENDER
(%)





The Bank has continued its policy of permanent and ongoing supervision of Employees, seeking to optimise the personal and professional development and valorisation of Millennium bim People.

STRATEGIC INITIATIVES

In a perspective of transversal supervision across the Group, the decision was taken to integrate all the areas related to People in a single structure – People Coordination Department.

Under the medium/long term strategy for the attraction and retention of young people identified as being of differentiated value, the *MilleTalent* project was launched, composed of various different programmes (*People Grow*, *Growing People*, *IT Academy*) which essentially seek to identify and develop, through differentiated initiatives over a 2-year period, staff of differentiated quality who are capable of making a difference in strategic positions or positions of higher value added.

MANAGEMENT OF PEOPLE AND TRAINING

In order to respond to the Bank's continuous growth, and fill vacancies left by Employees for the most diverse reasons, 192 new Employees were recruited, with the final number of Employees being 2,329 at the end of the year.

As at 31 December 2013, the distribution of employees among Networks and Central Services was approximately 62% and 38%, respectively.

The Bank's permanent concern with the training of its staff was embodied in the accomplishment of 38,194 hours of training given to 1,709 Employees, in the three platforms provided (through attendance, distance training and eLearning).

The assessment and counselling process completed in 2013 enabled the assessment of 2,187 Employees, close to 94.1% of the total staff.

HEALTH

With the objective of constant improvement of support to Employee health, in addition to the review of the Health Regulations, agreements were also concluded both with new healthcare providers (Maputo, Beira and Tete) and with hospital units of the National Health Service.

MILLENNIUM NETWORK IN MOZAMBIQUE

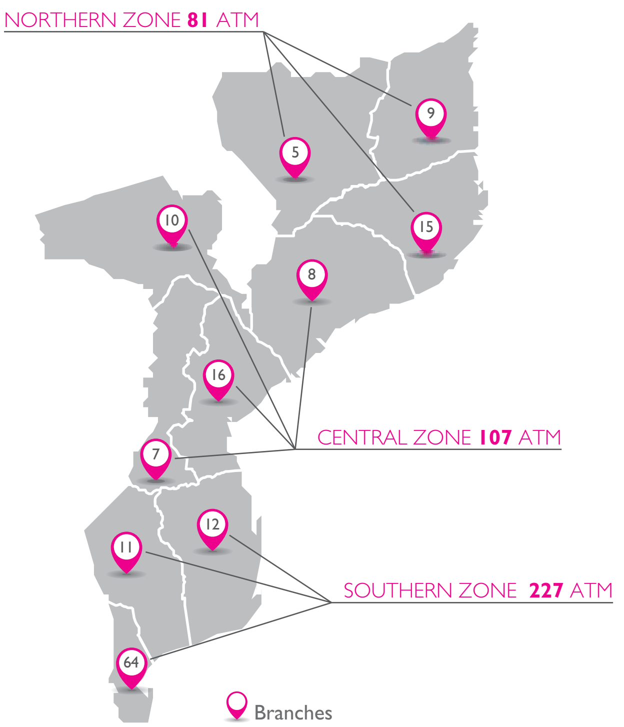
DISTRIBUTION NETWORK

NUMBER OF BRANCHES BY ZONE

	2013	2012	2011	VAR. % 13/12
Northern zone	**29**	26	24	11.5%
Central zone	**41**	40	35	2.5%
Southern zone	**87**	85	79	2.4%
	157	**151**	**138**	**4.0%**

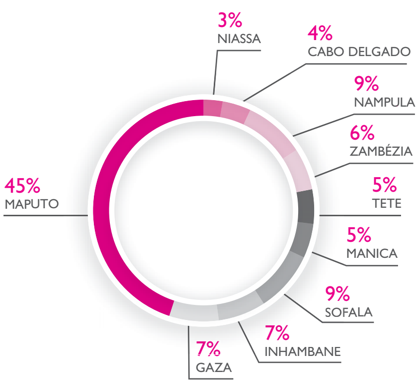
ATM NETWORK

PRESENCE IN THE PROVINCES



1,216 THOUSAND CUSTOMERS

DISTRIBUTION BY PROVINCE



REMOTE CHANNELS AND SELF-BANKING

NUMBER OF CONTRACTS

Coverage	Internet	Call Center	Mobile banking	POS
Northern zone	6,643	23,741	78,600	464
Central zone	19,679	76,608	158,510	781
Southern zone	51,121	126,621	394,649	3,759
	77,443	**226,970**	**631,759**	**5,004**

REVIEW OF THE BUSINESS AREAS

With a portfolio of over 1.2 million Customers, Millennium bim has, for a number of years, held the place of leadership of the banking sector in Mozambique. The universal nature of the Bank enables offering an integrated and vast range of financial products and services to its Individual and Company Customers, thus meeting the most diverse expectations and needs. On the other hand, the Bank is also distinguished in having the highest capillarity of the market, based on the largest network of branches of the country and the broadest network of alternative channels, enabling the Bank's greater proximity to its Customers. Therefore, the Customers have many alternatives at their disposal for interaction with the Bank and management of their financial needs with greater convenience and comfort.

INNOVATION IN 2013

In 2013, Millennium bim once again presented innovation on the market in terms of products and services as well as the launch of new applications aimed at meeting the requirements of its Individual and Company Customers, in particular the following:

- Launch of the new website and an Internet Banking solution that are more interactive, easier to use and accessible;
- Millennium IZI – a new Mobile Banking platform that is versatile, intuitive and compatible with all mobile telephones, which enables making all ATM operations except cash withdrawals. This platform neither requires the installation of applications in mobile telephones nor access to the Internet, which has enabled the Bank to achieve a massive use of the Mobile channel. Participation in Millennium IZI was immediate, with the number of monthly transactions on the Mobile channel having recently exceeded 3 million;
- Financial intermediation in the sale of prepaid electricity (Credelec) – under a partnership established with Electricidade de Moçambique (EDM), where the Bank pioneered the provision of this services to Customers of EDM, who are now able to acquire electricity through banking, mobile telephone and ATM channels, free of extra charges and without needing to visit EDM service units;
- Emigrant Solution – a pioneer offer in Mozambique, dedicated to the thousands of Mozambicans comprising the national diaspora. This product includes, among others, a protection plan for the family members of workers during their deployment abroad.

For Company Customers, the Bank has introduced, in partnership with the National Institute of Social Security, the payment of the monthly contributions via banking channels, thus enabling greater efficiency for Companies in compliance with their tax obligations linked to their workers.

BUSINESS SEGMENT ACTIVITIES

RETAIL SEGMENT

In 2013, the Bank continued its plan of expansion and improvement of its Branch network, the most extensive one of the Mozambican banking system. At the same time, the Bank has deepened the massive use of remote accesses via Mobile Banking. These two vectors of action fall under the Bank's continuous effort to become increasingly closer to its Customers, thus contributing decisively to increasing the population's participation in the banking sector, a process in which the Bank has been the principal reference for various years.

The ongoing focus on improvements in the efficiency and quality of Customer attendance has led the Bank to reorganise its commercial structure, with the creation of the Centre Interior Coordination region, based in Tete, a province that has recorded particularly high levels of socio-economic development.

PRESTIGE SEGMENT

Launched in 2012, the Prestige segment (Affluent Individuals and Companies) continued its expansion in 2013 with the opening of a further 5 branches, thus increasing the total number of personalised customer care locations which distinguish the segment to 21, with a distinctive design and aesthetics aimed at Customer comfort and convenience.

In the Prestige Network, priority is not only given to personalised service with dedicated Customers Managers, but also to a series of advantages that include debit and credit cards, an insurance offer, access to the internet banking platform, mobile banking solution, among others. In 2013, we highlight the GOLD Prestige VISA Credit Card which offers exclusive benefits to Customers of the Network.

CORPORATE AND INVESTMENT BANKING

In order to adjust the action of the Corporate Network to the evolution of its business, the operating processes supporting sales were remodelled in 2013, with a view to boosting the activity of its customer managers, as well as increasing the operating efficiency of the back office services. The Network thus achieved efficiency gains in its commercial action, significantly reinforcing its proximity to Customers with more sophisticated needs.

In terms of the offer, the Bank reinforced the structures dedicated to Investment Banking and Trade Finance, providing more robust support to the growth of large-scale Companies, at a time when the economy is recording significant levels of growth.

For its Corporate Customers, the Bank also provides Investment Banking advisory and other services, both regarding strategic development and risk analysis processes, and offers specialised support to investment project promoters, project finance operations and in the primary capital market.

2013 LAUNCHES

Millennium IZI

Mola Extra

Conta Mais Funcionário Público

Credelec

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

SUBSIDIARY COMPANY

Throughout 2013, Seguradora Internacional de Moçambique (Insurer) intensified its commercial relations with the main brokers on the Mozambican market while simultaneously strengthening its commercial action in its Impar branch network aimed at revitalising the activity. Particular note should be made of the Mapfre product, travel assistance insurance with competitive premiums and broad coverage, which is sold online with immediate delivery of the policy/receipt and particular conditions (guarantees) to the customer upon sale. At the same time, the Insurer focused on using the Group's synergies through a cross-selling strategy aimed at stimulating the sale of insurance at Millennium bim branches, whose portfolio grew by 64.8%.

In December 2013, the Insurer recorded a positive evolution of processed revenue which reached the value of 1,771 million meticais, representing a growth of 27% relative to December 2012.

The real insurance branches contributed most to this increase, having grown by 29.8% year-on-year, arising from the entry of new business into the portfolio, especially in the Fire, Vehicle and Personal Accident branches.

In contrast to previous years, the Fire branch was the most important of the real branches, representing 31.2% of the total processed revenue, explained by the strengthening of gas prospecting insurance on the market. The Vehicle branch, with moderate growth of 5.4% relative to 2012, was noteworthy due to its strong weight (31%) in the insurance portfolio. Finally, the Personal Accident branch accounted for 21.1% of total revenue due to the commercial revitalisation of New Life Credit.

During the period under review, net collections grew at a rate of 28.5% in spite of the increased market competition, with the average collection period having stood at 27 days (23 days in 2012).

In 2013, particular attention was given to the implementation of the MYGIS application, an interface which provides and integrates in web format the functionalities of the Insurer's IT system, enabling efficiency gains and improvements in the production and control of management information. The GIS/I2S payment management module with interface to the Bank's applications was also implemented during the year, which facilitates payment to third parties and increases the reliability and security level. The implementation of these applications was combined with specific training actions ministered to Employees of the Head Office and Branches to accompany the upgrading of the GIS applications.

For 2013, the net income of Seguradora Internacional de Moçambique was 399 million meticais, slightly higher than the net income recorded in the same period of the previous year, maintaining its leadership of the Mozambican insurance market.

BANKING SERVICES

ELECTRONIC BANKING

Millennium bim saw its position of leadership reinforced in electronic banking, which constituted a fundamental part of the Bank's commercial strategy, enabling continuity to the growing number of Customers who prefer to use our ATM and POS network.

During 2013, the Bank strengthened its ATM network. With a further 30 units, corresponding to an increase of 8% of the network, year-on-year, Millennium bim increased the availability and capacity of this transactional channel, raising the number of transactions to 82 million, 10% above the figure recorded in the previous year.

The numerous advantages associated to the POS channel imply that our Customers continue to prefer this accessible and convenient automatic means of payment. With a view to assuring improvements in the quality of the services rendered to our Customers, Millennium bim created the POS Commercial Management Unit, which has enabling more dedicated commercial follow-up of Customers and the provision of technical assistance to participant merchants. Also during this year, the Bank successfully completed the development of a new POS solution, diversifying the equipment used, and enabling optimisation of the management and efficiency of this means of electronic payment.

The continuous stimulation of this banking channel was reflected in the growth of the number of units distributed throughout the country, which reached a total of 5,004, corresponding to a year-on-year increase of 23%.

In terms of cards issued, Millennium bim continues to be a reference on the market with the circulation exceeding 1.07 million cards. The launch of a Prestige credit card, with a distinctive image, has completed the range of products offered to the Customers of the respective segment.

OPERATIONS AND INFORMATION SYSTEMS

In the context of Operations and all other back office areas, Millennium bim carried out a series of initiatives aimed at improving internal efficiency and efficacy, involving the review and redesign of many work processes, led by an internal team of process reengineering. This work also resulted in the consolidation and respective reconfiguration of the organisational design of the Credit and Operations areas and the redimensioning and renewed focus of the Network Support and Direct Banking areas.

Technological innovation and improvement of processes and information systems have always accompanied 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. During 2013, in pursuing its strategic agenda, the Bank carried out a variety of developments, as follows:

- Creation of Millennium IZI, a new Mobile Banking solution which exponentially increased the use of this channel;
- Provision of the electricity purchase service for prepaid meters, with full convenience and security, through mobile telephone and the ATM network;
- Implementation of Millenet – a new Internet Banking solution in line with those already used in other geographic regions of the Millennium Group. This solution enabled expanding the range of functionalities provided to our Customers, making it a differentiating factor in Mozambique;
- The installation of new software at POS has increased the operational stability and competitiveness of the equipment;
- Implementation of supporting infrastructure for the Bim Line, our Contact Centre, which is more modern and suited to the requirements of Customers who prefer this contact channel with the Bank.

Furthermore, the Bank developed various initiatives that have enabled assuring higher levels of control and security in the performance of banking activity, in conformity with the highest international standards and practices, such as:

- Implementation of the SAM project (SAM Identity Manager) – a tool which enables the efficient and centralised management of the privileges for users of the Bank's different IT applications, with substantial gains in terms of efficiency;
- Virtualisation of almost all application servers and implementation of a process of instantaneous replication which is currently used for purposes of business continuity in the event of the partial or total loss of the Bank's main Data Processing Centre;
- Implementation of the Change Management process in order to assure possible alterations of infrastructures, in conformity with international best practices.

RISK MANAGEMENT

RISK OFFICE

Risk management and control at Millennium bim continued to develop, in 2013, in the context of particularly difficult economic and financial circumstances, with the Risk Office having strengthened its activities relative to the promotion and coordination of risk management and control, as well as those relative to external and internal reporting on the different types of risk incurred by the Bank, as a result of the development of its business.

Under these circumstances, Millennium bim continued to consolidate the process of development of its functional and organisational framework dedicated to risk management, measurement and control, also pursuing its objectives of use of its own estimates of LGD (Loss Given Default), PD (Probability of Default), IBNR (Incurred But Not Reported)) and CCF (Credit Conversion Factors) parameters for the segment of companies and sole proprietorships (ENI) with access to Signature Credit (Indirect Credit) and CCC (Pledged Current Accounts) and OVD (Overdrafts) ceilings.

Indeed, the activity developed by the Risk Office continued to contribute in a relevant manner to the improvement of the internal control environment, through the fine-tuning and strengthening of the risk measurement and control policies and instruments. In this regard, reference is made, for example, to the strengthening of the promotion and coordination of actions which ensure more effective collection of non-performing loans and the better and higher collateralisation of loans – above all, among large debtors.

HIGHLIGHTS OF THE ACTIVITY

A summary is presented below of the main activities developed in 2013 in the context of risk management, defined as the series of actions related to the identification, assessment, monitoring and control (or mitigation) of the different risks to which the Bank is exposed as a result of its business activities:

1. At a general level

i. The consolidation of the mechanisms and instruments for the management of Credit, Liquidity, Interest Rate and Operating Risk, promoting and coordinating actions which ensure the efficacy of policy not only on the collection of non-performing loans and better and higher collateralisation of loans, but also on the improved assessment of the Bank's liquidity level in view of the need to transform funds into loans, the need of stronger control of interest rate risk through the consolidation of the process of control of the Bank's level of exposure to this type of risk and better assessment of operating risk through the consolidation of the Risk Self-Assessment process, which is already in its fourth year of operation;

ii. The preparation of regular reports for the Risk Control Commission and Audit Committee, in accordance with the meeting dates of these Bodies Supporting the Management of Risks of the Bank;

iii. Active participation in the process of approval of new products, suggesting the necessary adjustments and adaptations required to control the inherent risks in an effective manner;

iv. Continuous updating of the manuals and internal regulations relative to credit risk control, in particular the documentation related to the Risk Control Commission, where a process of approval of the Procedural Rules relative to Warning Signs and Economic Groups is underway;

2. Rating and Credit Scoring Models – Recalibration of the Models for investigation of the central trends of probability of default by business segment (Individuals, Sole Proprietorships and Small and Medium-sized Enterprises).

3. Credit Impairment

i. The development of an internal warning sign model (Early Warning Signals – EWS):

The last phase of the process of implementation of the EWS Model of Millennium bim was completed in the third quarter of 2013. The first phase of this process corresponded to the development of the workflow for the collection and treatment of qualitative warnings and negative indicators. The second phase culminated with the development of the workflow for the treatment of action plans, which not only enables the automatic generation of warnings levels, but also the generation of a series of predefined actions, to assist the Commercial Managers and Credit Departments, indicating, in a proactive form, the appropriate actions to mitigate the warnings and negative indicators associated to the attracted customers. This workflow will become operational in 2014 after the approval of the Procedural Rules relative to EWS (Early Warning Signals) and the Workflow User Manual for Treatment of Action Plans.

ii. The improvement and/or replacement of the Discounted Cash Flow (DCF) Model used at the Bank, aimed at the refinement and sophistication of this model. The analysis of a new DCF Model integrated in the Workflow for Impairment is in progress. This Model seeks to produce a more reliable estimate of loan impairment losses in view of the requirements of IAS 39 on this matter.

iii. The consolidation of the process of calculation of the Parametric Tree and Probability of Default Parameters for the calibration of the Impairment Model:

- The new Parametric Tree Parameters calculated by homogenous populations (Consumption, Housing, Leasing & Long Term Rental and Other) were implemented during the second semester of 2013, with some having recorded materially relevant aggravation in relation to the indicators calculated previously, essentially due to: (i) the increased number of loans not recovered, *i.e.*, being monitored at the Credit Recovery Department without payment; (ii) the increased number of loans considered a write-off and (iii) the reduction of the number of loans recovered throughout the period under review.
- The new Probabilities of Default (PD) were operationalised during the second semester of 2013 for products of the following areas: (i) Consumption, (ii) Leasing & Long Term Rental, (iii) Housing and (iv) Other loans, with the overall probability of default standing at 2.93% compared to 2.82% of the previous year, for the reasons referred to above.
- Continuous updating of expectations of recovery of individually significant customers.
- Continuous fine-tuning of the Credit Risk management and control mechanisms and instruments, promoting and coordinating actions which ensure better and higher collateralisation of loans and improved assessment of the Bank's liquidity level in view of the need to transform funds into loans.
- Introduction of new procedures in terms of the process of analysis and decision-making concerning loans of materially relevant amounts, Customers and Groups of Customers (Economic Groups).
- Strengthening of the monitoring of the credit quality of the portfolio, through systematic follow-up by the Bank's Credit Risk Control Commission of the evolution of the overdue credit/impairment indicators and principal situations of risk.
- Ongoing intervention in terms of risk management policy, especially the loan strategy aimed at the continuous improvement of the efficacy of loan recovery.
- Introduction of an integrated and overall vision of credit risk in the case of economic groups involved in credit operations in the different geographic areas in which the Millennium Group operates.

4. Interest Rate Risk – Implementation of the new limit for the control of 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.

5. Liquidity Risk – Implementation of the new limits of Immediate and Quarterly liquidity and new parameters of enforceability relative to Term Deposits and Irrevocable Commitments. The implementation of these parameters has materially relevant impacts on the Bank's Liquidity Ratio.

6. Operating Risk

i. The objective of the consolidation of the Risk Self-Assessment process is to identify and gain awareness on potential risks at the Bank, as well as to assess the Bank's level of exposure to incurred risks using two variables: Frequency (probability of occurrence of the risk) and Severity (financial impact of the risk) and appraise the efficacy of the installed control environment and its influence on risk reduction, identify and implement mitigation actions so as to reduce the largest exposures.

ii. The monitoring of the degree of implementation of the improvement actions identified by Process Owners, aimed at reducing the Bank's level of exposure to materially relevant risks.

iii. The consolidation of the process of collection, treatment and sharing of information relative to operating loss events and the process of monitoring the degree of implementation of the actions recommended by the Internal Audit Department for mitigation of the identified loss events.

iv. The definition and monitoring of the evolution of Key Risk Indicators (KRI) in materially relevant business processes.

v. Participation in the preparation of the Internal Control Reports.

7. In terms of Basel II

i. The collaboration of the Bank's Risk Office in the process of implementation of the initiatives launched by Banco de Moçambique with a view to the transition in 2014 to the second International Convergence of Capital Measurement and Capital Standards (Basel II), which imposes adjustments to the prudential standards for the calculation of capital requirements for credit, market and operating risks.

ii. Banco de Moçambique established 2013 as the pilot year for the implementation process by the Commercial Banks of the approaches defined in the Basel II agreement, simultaneously with those defined in the Basel I agreement, where this process has been developed successfully.

GOVERNANCE OF RISK MANAGEMENT

Millennium bim's risk policy and management continues to be developed through a functional model of transversal control, with the Executive Committee of Millennium bim being responsible for the governance of this model.

The competence and duties of the bodies intervening in risk management governance (management or internal supervision) at the level of Millennium bim (in addition to the Board of Directors and Executive Committee) are described below.

AUDIT COMMITTEE

The Audit Committee is composed of three non-executive members of the Board of Directors, and is entrusted with the following:

- Matters of supervision of management, of the financial reporting documents, qualitative measures to fine-tune the internal control systems, the risk management policy and compliance policy;
- Supervision of internal audit activity, as well as ensuring the independence of the Statutory Auditor and issuing recommendations on the contracting of external auditors and formulation of their proposed election and contractual conditions for their provision of services;
- Reception of any notifications of irregularities presented by the Shareholders, Employees or other Stakeholders, assuring their follow-up by the Internal Audit Department;
- The issue of an opinion on correlated loans (responsibility delegated to the Bank's Supervisory Board).

The Audit Committee is the first receiver of the Reports of the internal Audit Department, Statutory Auditor and External Auditors, meeting regularly (twice a year) with the Director responsible for the Financial Area, the Local Risk Officer, the Compliance Officer and the Head of Internal Audits.

RISK CONTROL COMMISSION

This commission is responsible, at an executive level, for monitoring the overall risk levels (credit, market, liquidity and operating risk), assuring that they are compatible with the objectives, available financial resources and strategies approved for the development of the Group's activity.

This Commission includes the members of the Executive Committee, the Group & Local Risk Officer and the heads of the following departments: Internal Audit; Financial and Dealing Room; Research and Planning.

The Executive Committee of Millennium bim created the Risk Office in 2006, which is ruled by a vast series of Risk Management Standards and Principles, applied transversally across the entire Millennium Group.

The Risk Officer is entrusted with the coordination and implementation of the risk assessment and monitoring, as well as the implementation of risk control in all business areas or functional areas supporting the business.

ECONOMIC CAPITAL

The process of assessment of internal capital adequacy is, for Millennium bim, an important step in the achievement of best practices on matters of risk management and capital planning. This process enables the Bank to establish a connection between the level of tolerance to risk and its capital requirements through the calculation of the internal (or "economic") capital which, independently of the regulatory capital, is adequate to the incurred risk level, thus forcing an understanding of the business as well as its risk strategies. It also enables the identification of all the materially relevant risks inherent to the Bank's activity and respective quantification, in view of the correlation effects between different risks, as well as the effects of business diversification (which is developed along various lines and products).

Millennium bim has always been careful to compare its economic capital requirements to the available financial resources in order to assess the Bank's capacity to absorb risk, which enables 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 considered are as follows:

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

The quantification approach used is based on internally developed measurements, which enable the calculation of capital requirements through estimation of internal capital.

The measurements used in the calculation are illustrated in the figure below:

CLASSIFICATION OF THE MOST MATERIALLY RELEVANT RISKS AT MILLENNIUM BIM AND RESPECTIVE ASSESSMENT MEASUREMENTS

TYPES OF RISK	SUB-CATEGORY	MEASUREMENT
Credit Risk		Model for determination of Impairment of the Loan Portfolio
Market Risk	Interest Rate	Interest rate risk gap & sensitivity analysis
	Exchange Rate	Model based on net foreign exchange position by currency (net open position) & sensitivity analysis
Liquidity Risk		Maturity Gap Model & Stress Tests
Operating Risk		KRI – Key Risk Indicators

In 2014, Millennium bim will continue to develop and improve the economic capital model, principally so as to endow greater sensitivity to risks through the integration of the self-assessment and stress tests, also reflecting the recent dynamics of evolution in the regulatory framework where, amongst others, particular note should be made of the process of transition in 2014 to the second International Convergence of Capital Measurement and Capital Standards (Basel II), which imposes adjustments to the prudential standards for the calculation of capital requirements for credit, market (exchange rate) and operating risks, introducing methodologies for the valuation of risk weighted assets (RWA) which should be incorporate in the calculation of the Solvency Ratio.

MONITORING AND VALIDATION OF MODELS

The validation of the processes of calibration of the Rating and Credit Scoring models of Millennium bim is the transversal responsibility of the Model Control Unit (integrated in the Group's Risk Office), which assures the monitoring and validation of the rating systems in which the models in question are included.

The transversally implemented monitoring and validation structure involves the Model Owners, the Rating System Owners, the Validation Committee, the Risk Commission and the Audit Department.

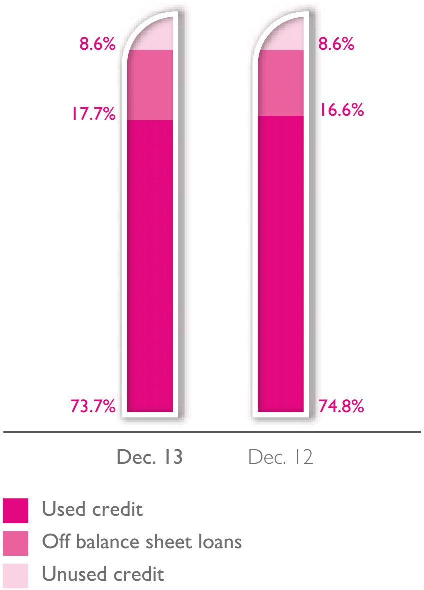
During 2013, actions relative to the monitoring and validation of the credit risk models were carried out, which were incident on models for the Companies and Retail risk categories, involving their principal components of estimation. Under this process, the most significant models are the Probability of Default (PD) model, the Rating model for Corporate customers and the TRIAD behavioural model.

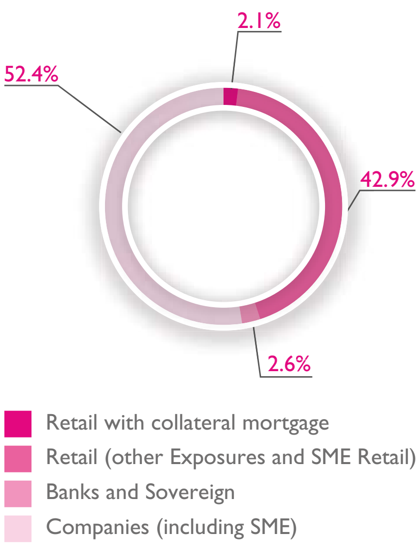
The monitoring and validation actions developed are also aimed at monitoring and gaining in-depth knowledge on the quality of the models, so as to strengthen prompt reaction capacity to alterations in the respective forecasting abilities, thus allowing Millennium bim to strengthen its confidence in the use and performance of each model and in the implemented rating systems.

During 2013, significant efforts continued to be made in the development of the model for the calculation of deposit stability levels, thus contributing to improve the quality of the information supporting Liquidity Risk management.

CREDIT RISK

This risk is materialised through losses and uncertainty regarding future returns generated by the loan portfolio, due to the inability of borrowers (and their guarantors, when existent), issuers of securities or contractual counterparts to honour their obligations. This risk is very relevant and highly representative in terms of the Bank's overall exposure to risk, clearly present in the daily operation of its commercial networks, and permanently considered in loan concession and monitoring activities.





Control and mitigation of this risk are 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 and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for situations of default that have already occurred.

During 2013, Millennium bim continued to develop various activities aimed at the reinforcement and fine-tuning of the analysis and assessment of credit risk in the different segments of the portfolio, in particular the following:

- Credit risk mitigation, through stronger levels of collateralisation of operations and lower concentration of credit exposure;
- Consolidation of the management information database supporting Individual Analysis and the calculation of the Loss Given Default (LGD) coefficients supported by the Credit Recovery Support Centre of the Credit Recovery Department;
- Consolidation of the improvements implemented in 2012 in terms of the mechanisms for collection, treatment and analysis of credit information by segment and activity sector, aimed at improving the process of monitoring the level of non-performance of the Bank's loan portfolio and enabling the early detection of situations of potential default and the taking of coherent decisions on the commercial strategy to be adopted by the Bank;
- Implementation of relevant Credit Risk indicators through the Exposure at Default Method (EAD), namely: Non-Performing Loans above 90 days (NPL > 90 days) / Total Credit, Credit at Risk / Total Credit, Expected Loss (EL) / Total Credit Exposure per Risk Grade and EAD Concentration (Top 10 & 20 Customers).

COMPOSITION OF THE LOAN PORTFOLIO

The structure of Millennium bim's loan portfolio at the end of 2013, in nominal and overall terms (*i.e.* covering Balance Sheet and off-Balance Sheet exposures), as illustrated by the graphs below, showed no significant changes compared to the portfolio of December 2012.

The second chart presents the breakdown of the Bank's loan portfolio as at 31 December 2013 by segment of exposure (Basel II) and in terms of EAD (Exposure at Default).

CALCULATION OF ECONOMIC CAPITAL FOR CREDIT RISK

Economic capital for credit risk is calculated by using an actuarial portfolio model, developed internally, which enables estimating the probability distribution of total losses based on the exposures and specific characteristics of Millennium bim's loan portfolio.

This model incorporates the measurements of the basic variables of credit risk assessment (PD and LGD) and the Factor of Conversion of Indirect Credit into Balance Sheet Credit (CCF) and also considers the uncertainty associated to the measures by also incorporating the volatility of these parameters. Furthermore, credit risk diversification/concentration effects are also considered. The contribution of each sector or exposure to total risk is shown in the overall analysis presented in the table below.

Million MZN

			DECEMBER 13			DECEMBER 12			VAR. (DEC. 12 – DEC. 11)			
			Exposure	Impairment	Imp./Exp.	Exposure	Impairment	Imp./Exp.	Exposure	Impairment	Exposure	Impairment
TOTAL LOAN PORTFOLIO	LOAN PORTFOLIO WITH SIGNS OF IMPAIRMENT	INDIVIDUAL ANALYSIS	9,488	1,002	10.6%	6,843	1,124	16.4%	2,645	-122	38.7%	-10.9%
		PARAMETRIC ANALYSIS	1,548	1,215	78.5%	1,556	1,158	74.4%	-8	57	-0.5%	4.9%
	LOAN PORTFOLIO WITH NO SIGNS OF IMPAIRMENT	INDIVIDUAL ANALYSIS IN COLLECTIVE	42,823	782	1.8%	30,664	561	1.8%	12,159	221	39.7%	39.4%
		COLLECTIVE WITHOUT INDIVIDUAL ANALYSIS	14,384	274	1.9%	15,154	289	1.9%	-770	-15	-5.1%	-5.2%
		TOTAL	68,243	3,273	4.8%	54,217	3,132	5.8%	14,027	141	25.9%	4.5%

In 2013, the Bank's portfolio of loans to customers grew by approximately 25%. This growth took place in a context of rigour and prudence of the respective decisions, where the table above shows the reduction of the value of impairment loss corresponding to this portfolio of around 65 million meticais (-2.85%), embodying a notable improvement in terms of the collateralisation of the Bank's loan portfolio and growth of only 4.5% of capital consumption associated to credit risk, year-on-year.

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.

The assessment of interest rate risk is based on the gaps constructed by repricing residual periods of outstanding contracts and the position for the main currencies of importance in the Bank's activity (MZN and USD) reported as at 31 December 2013 and 31 December 2012, and is portrayed in the following tables:

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 2013					
ASSETS					
Cash and deposits at Banco de Moçambique	3,579,762	891,934	1,540,297	996,088	-
Deposits in other credit institutions	-	-	-	-	-
Investments in credit institutions	-	-	-	-	-
Loans to customers(*)	22,317,972	11,339,587	3,524,156	210,538	-
Financial assets available for sale	4,591,002	2,916,668	12,109,268	-	-
Total Assets	30,488,736	15,148,188	17,173,721	1,206,625	-
LIABILITIES					
Deposits of other credit institutions	475,210	-	-	-	-
Customer deposits	14,291,626	9,598,522	16,575,871	10,719,375	-
Debt securities issued	-	1,000,000	-	-	-
Subordinated liabilities	175,000	-	-	-	-
Other liabilities	440,000	-	-	-	-
Total Liabilities	15,381,836	10,598,522	16,575,871	10,719,375	-
Total Liabilities and Equity	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 risk gap	15,106,900	19,656,567	20,254,417	10,741,668	-
Accumulated sensitivity	148,830	186,744	204,496	-	-
31 DECEMBER 2012					
Total Assets	31,497,315	11,337,280	5,545,221	2,452,189	-
Total Liabilities	10,465,728	7,381,660	15,056,439	8,996,044	-
Interest rate risk gaps	21,031,587	3,955,620	(9,511,218)	(6,543,855)	-
Accumulated interest rate risk gap	21,031,587	24,987,208	15,475,990	8,932,135	-
Accumulated sensitivity	202,990	235,953	180,062	-	-

(*) Net Loans.

INTEREST RATE GAP FOR THE BALANCE SHEET – USD

Thousands USD

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 DECEMBER 2013					
ASSETS					
Cash and deposits at Banco de Moçambique	1,185,952	-	-	-	-
Deposits in other credit institutions	740,692	-	-	-	-
Investments in credit institutions	1,537,681	755,935	4,211	-	-
Loans to Customers(*)	4,190,029	2,529,997	3,920,226	4	-
Financial assets available for sale	-	-	-	-	-
Total Assets	**7,654,354**	**3,285,932**	**3,924,437**	**4**	**-**
LIABILITIES					
Deposits of other credit institutions	948,190	-	-	-	-
Customer deposits	3,138,497	2,466,022	3,319,020	4,267,743	-
Debt securities issued	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Other liabilities	902,400	-	-	-	-
Total Liabilities	**4,989,086**	**2,466,022**	**3,319,020**	**4,267,743**	**-**
Total Liabilities and Equity	**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 risk gap	**2,665,268**	**3,485,178**	**4,090,595**	**(177,144)**	**-**
Accumulated sensitivity	**27,920**	**34,753**	**44,463**	**-**	**-**
31 DECEMBER 2012					
Total Assets	7,181,655	2,475,895	691,424	2,614,944	-
Total Liabilities	3,317,017	2,043,391	3,089,263	4,224,970	-
Interest rate risk gaps	3,864,638	432,504	(2,397,839)	(1,610,026)	-
Accumulated interest rate risk gap	3,864,638	4,297,142	1,899,303	289,277	-
Accumulated sensitivity	29,426	33,030	18,875	-	-

(*) Net Loans.

The assessment of interest rate risk derived from banking book's operations is performed through a risk sensitivity analysis process, undertaken every month, covering all the operations included in Millennium bim's balance sheet.

As shown in the tables above relative to 31 December 2013, balance sheet sensitivity to the interest rate, simulating a parallel shift of the yield curves of 1 percentage point, shows values of 204,496 thousand meticais and 44,463 thousand meticais for the currencies in which Millennium bim holds its most significant positions, respectively, MZN and USD. For 2013, the sensitivity to interest rate risk reached a total of 248,959 thousand meticais compared to 198,937 thousand meticais recorded in December 2012, of which 180,062 thousand meticais correspond to the sensitivity in MZN and 18,875 thousand meticais correspond to sensitivity in USD

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 IT system by the Risk Office, and 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 results calculated as at 31 December 2013 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 as a whole.

LIQUIDITY RISK

Liquidity risk reflects the possibility of Millennium bim incurring significant losses as a result of deterioration of funding conditions and/or of the sale of assets at less than their market value, in order to cover the fund requirements arising from the Bank's obligations.

The management of liquidity risk is carried out in a centralised form 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 did not imply the use of alternative funding sources during 2013, since the level of the Bank's funds continued to record a very favourable evolution of deposits, which, to a large extent, enabled financing the notable growth in the loan portfolio.

CONTROL OF LIQUIDITY RISK

Millennium bim's control of liquidity risk for short term horizons (up to 3 months) is carried out based on two internally defined measurements – the immediate liquidity indicator and the quarterly liquidity indicator – which measure needs over time, considering the cash flow projections for periods of 3 days and 3 months, respectively.

At the same time, the evolution of the Bank's liquidity position is calculated on a regular basis identifying all the factors explaining the variations that have occurred.

Millennium bim controls the profile of structural liquidity through the regular monitoring, by its management structures and bodies, of a series of indicators defined internally, aimed at characterising liquidity risk, such as:

1. Medium term liquidity gaps;
2. The loan-to-deposit ratio; and
3. Liquidity stress tests, whose results contribute to the preparation and assessment of the liquidity and capital contingency plan, referred to below, and to current management decisions.

As at 31 December 2013, the maturities of the main balance sheet headings were distributed as follows:

TOTAL LIQUIDITY GAP FOR THE BALANCE SHEET

Thousand MZN

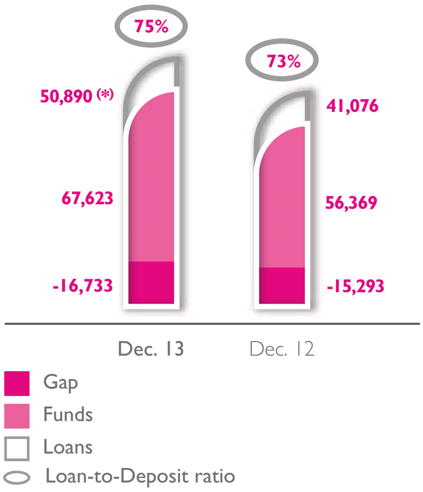
	Até 1mês	Entre 1 e 3 meses	Entre 3 meses e 1 ano	Entre 1 e 3 anos	Superior a 3 anos
31 DECEMBER 2013					
ASSETS					
Cash and deposits at Banco de Moçambique	3,847,301	1,168,772	1,999,618	13,774	-
Deposits in other credit institutions	2,658,002	-	-	-	-
Investments in credit institutions	2,026,177	755,935	4,211	-	-
Loans to Customers(*)	6,962,477	3,905,078	3,677,374	13,078,266	21,715,572
Financial assets available for sale	5,084,709	3,657,228	10,875,000	-	-
Total Assets	20,578,666	9,487,013	16,556,203	13,092,040	21,715,572
LIABILITIES	,	,	,	,	,
Deposits of other credit institutions	1,472,978	-	-	-	-
Customer deposits (includes other liabilities)	19,440,603	17,461,347	29,874,113	205,778	2
Debt securities issued	-	-	-	1,000,000	-
Subordinated liabilities	-	-	-	175,000	-
Total Liabilities	20,913,581	17,461,347	29,874,113	1,380,778	2
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
31 DECEMBER 2012					
Total Assets	24,090,988	7,847,955	7,322,056	9,824,537	18,513,561
Total Liabilities and Equity	14,863,814	14,096,197	25,758,244	1,638,634	175,000
Liquidity Gaps	9,227,174	(6,248,242)	(18,436,187)	8,185,903	18,338,561
Accumulated Liquidity Gap	9,227,174	2,978,932	(15,457,255)	(7,271,352)	11,067,209

(*) Net Loans.

The Risk Office carries out studies on annual basis 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 relative to Term Deposits and Irrevocable Commitments were also calculated and implemented. The results of these studies constitute the basis for the calculation of the Overall Liquidity Gap for the Balance Sheet illustrated in the table above. This liquidity management model of the Bank allows the Credit Decision-making Bodies to use, with security and reasonability, the values corresponding to the percentage Demand Deposits retained at the Bank for the management of the liquidity position, in contrast to the purely accounting model which considers 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)

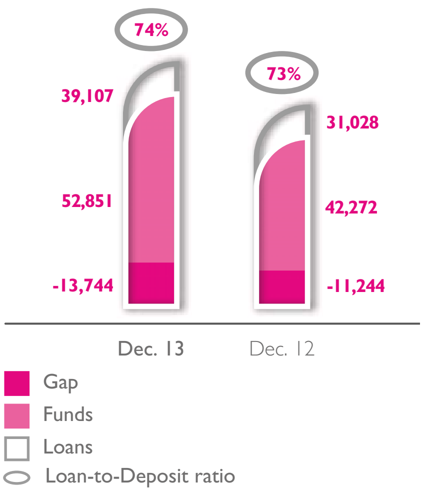
Million MZN



(*) Gross loans.

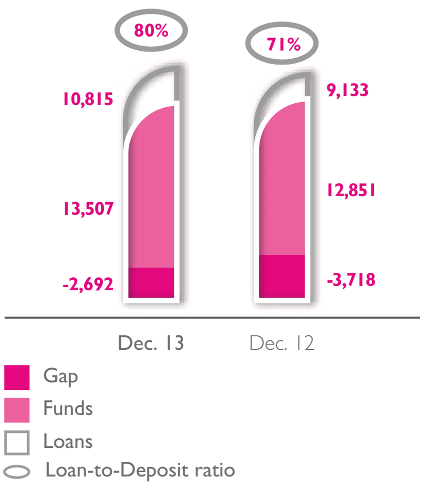
COMMERCIAL GAP AND LOAN-TO-DEPOSIT RATIO (MZN)

Million USD



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 charts to the left.

From the analysis of the tables above, 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.

The Bank continued to define, as its priority, the need for additional effort in the attraction of Customer deposits in all business segments, as well as the preparation of a detailed liquidity plan aimed at maximising the net income to be achieved by the Bank in a situation of crisis.

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 a liquidity contingency.

The PCCL defines, as an objective, the maintenance of a balanced liquidity and capital structure, 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, either anticipated or observed.

OPERATING RISK

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

In the management of this type of risk, Millennium bim adopts duly documented principles and practices, which are expressed in control mechanisms subject to continuous improvement. Therefore, this framework has a variety of characteristics, such as:

- Separation of functions;
- Lines of responsibility and corresponding authorizations;
- The definition of limits of tolerance and exposure to risk;
- Ethical codes and codes of conduct;
- The Risk Self-Assessment (RSA) exercises;
- Key Risk Indicators (KRI);
- Access controls, physical or logical;
- Reconciliation activities;
- Exceptional reports;
- Contingency plans;
- Insurance contracting;
- Internal training on processes, products and systems;
- Documented and regularly audited procedures and rules

Over 2013, Millennium bim continued to promote initiatives aimed at improving efficiency in the identification, assessment, control and mitigation of exposure, through the strengthening and extension of the scope of application of the operating risk management system implemented at the level of the Millennium Group.

The monitoring of operating risks by the Risk Office is facilitated through a computer application that is transversal across the Millennium Group, supporting the management of operating risk, and thus ensuring a high level of uniformity.

During 2013, in the main areas of operating risk management, the following were of particular importance:

- The strengthening of the management information database on operating loss events through the systematic identification of new events;
- Conduct of new risk self-assessment exercises;
- More effective monitoring of Key Risk Indicators (KRI) in order to facilitate the preventative identification of risks in the main processes;
- Ongoing incorporation of the information provided by the risk management instruments in the identification of improvements which contribute to strengthening the control environment of processes;
- A review (*and, in some cases, redesign and consequent automation*) of the main work processes at the Bank with special focus on aspects of operating risk control.

OPERATING RISK MANAGEMENT STRUCTURE

The operating risk management system has been based, from the very beginning, 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.

Hence, Millennium bim has defined its own structure of processes, which is adjusted periodically according to the evolution of the business, so as to ensure an adequate coverage of the business activities (or activities supporting the business) developed.

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, thus contributing to the strengthening of control mechanisms and improvement of the internal control environment.

The Process Owners are appointed by the Bank's Executive Committee, based on recognition of their knowledge and professional experience in the area of the activities developed under the processes for which they are responsible. The Executive Committee also has the following responsibilities in this process:

- Approval of the definition of the process files;
- Approval of the institution of new processes, identifying the processes which should have performance measurement (KPI – *Key Performance Indicators*);
- Alignment of the management practices by processes with the reality of the structural units involved;
- Assurance of the production, maintenance and internal dissemination of documentation and information relative to management by processes;
- Approval of the alterations to instituted processes, as well as the design of new processes.

OPERATING RISK SELF-ASSESSMENT (RSA)

The objective of the RSA exercises is to promote the identification and mitigation (or elimination) of risks, actual or potential, in each process, through the classification of each of the 20 sub-types of operating risk considered in operating risk management, combining the expected severity of the losses in the event of the occurrence of risk and the expected frequency of occurrence of these scenarios – for the group of all the processes considered. These classifications are positioned in a risk tolerance matrix, considering 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 consider 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 the opportunities for improvement in the reduction of the most significant exposures (Target Risk).

In the case of the existence of operating loss events recorded for the process, this information is used to compare with the results of the self-assessment conducted by the Process Owners and respective Process Managers.

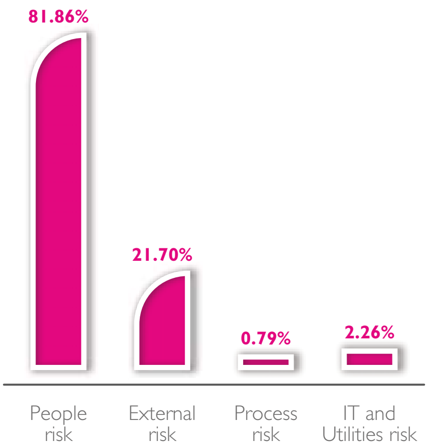
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or through answers to questionnaires sent to the, for review of the results of previous RSA, according to predefined updating criteria.

We highlight the participation of senior staff in the workshops of the main processes, for the purpose of supporting the self-assessment exercise and adding a more encompassing (top-down) perspective of the risks.

During 2013, new RSA exercises were carried out at Millennium bim, which enabled updating the measurement of exposure to operating risk in the different processes, as well as the identification of improvements to mitigate the exposures classified above the defined tolerance limits, with a view to reducing their respective frequency or severity (or both).

These actions will be placed in an order of priority according to the assessment made and their respective implementation will be monitored through the IT application supporting operating risk management.

DISTRIBUTION OF LOSS EVENTS BY CAUSE



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 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, with this being an important instrument to quantify exposure to risk. It should also be noted that the data on operating losses are used for backtesting the RSA results, enabling appraisal of the assessment/classification attributed to the risk sub-types in each process.

All the Bank's Employees are responsible for detecting and reporting operating losses, with process owners playing a determinant role in the promotion of these procedures concerning the processes for which they are responsible. The identification and capture of operating loss events are also encouraged by the Risk Office (of the Group and local), based on data provided by central areas.

The identified events are duly characterised through the description of the respective cause-effect, the valuation of the loss and, when applicable, a description of the improvement action identified to mitigate the risk (based on the analysis of the cause of the loss).

The left graph shows the cumulative distribution of operating losses of Millennium bim relative to 2013 by type of cause:

RISK INDICATORS

Key Risk Indicators (KRI) are measurements which draw attention to possible changes in the profile of operating risks or efficacy of their control, enabling identification of the need to introduce corrective action in processes, so as to prevent potential risk from materialising into effective losses.

The use of this management instrument has been extended to increasingly more processes, with 9 business operations already being covered.

BUSINESS CONTINUITY MANAGEMENT

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

Both plans are defined and implemented for a series of critical business processes, without prejudice to pertinent adjustment to market evolution, to the Bank's strategic positioning and to its organisational matrix. These plans are 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 the 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, usually involving the implementation of critical activities at alternative locations.

INSURANCE CONTRACTING

The taking out 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 risks.

The specialised technical and commercial duties in the area of insurance contracting are entrusted to the Insurance Management Unit, which is 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.

FINANCIAL REVIEW

SUMMARY

BIM – Banco Internacional de Moçambique, S.A., in conformity with the provisions in Notice number 04/GBM/2007 and supplementary provisions issued by Banco de Moçambique, presents the individual and consolidated accounts relative to the financial years of 2012 and 2013, pursuant to the International Financial Reporting Standards (IFRS).

The stability of the metical and the favourable evolution of inflation have allowed Banco de Moçambique to continue the reference rate cutting cycle. This policy led to various interventions over the year which were reflected in a reduction of the interest rate of the Permanent Assignment Facility by 125 b.p..

The evolution of Millennium bim's activity followed the existing macroeconomic environment, with the Bank having accompanied the downward adjustment of the rates applied in both lending and borrowing operations. 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.

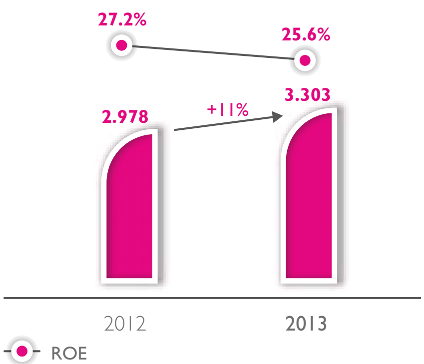
Total assets reached 85,428 million meticais as at 31 December 2013, compared to 70,647 million meticais as at 31 December 2012. The amount of loans to customers, before impairment, stood at 50,890 million meticais as at 31 December 2013, compared to 41,076 million meticais as at 31 December 2012, while total customer funds grew to 67,623 million meticais as at 31 December 2013, having increased by 20% relative to the 56,369 million meticais stated as at 31 December 2012.

Net income amounted to 3,302.9 million meticais in 2013, compared to 2,978.4 million meticais in 2012.

The aggregate value of equity stood at 10,778 million meticais, without considering the net income for the year, which, combined with the growth of risk weighted assets, enabled the achievement of a solvency ratio of 21.4%, considerably above that required by Banco de Moçambique.

NET INCOME

Million MZN



PROFITABILITY ANALYSIS

NET INCOME

The Bank's net income reached 3,302.9 million meticais in 2013, 11% higher than in the previous year, influenced by the performance of net interest income which, in spite of the strong pressure on the remuneration of customer deposits, benefited from the increased volume of loans and improved profitability of the securities available for sale. The net income of the activity was also boosted by the increased net commissions and other net operating income combined with stability in terms of loan impairment. The higher operating costs, derived both from inflation and the expansion plan underway, dampened the positive performance of the income headings.

NET INTEREST INCOME

Net interest income increased by 5.3%, reaching a total of 4,828.9 million meticais in 2013, relative to 4,586.9 million meticais recorded in 2012, 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.

During 2013, three cuts were made to the FPC (Permanent Assignment Facility) of Banco de Moçambique, used as the reference rate in operations of loans to customers. However, in terms of funds, the continuous pressure on their attraction implied that the reduction in cost should be less pronounced with negative repercussions on the Bank's financial intermediation margins.

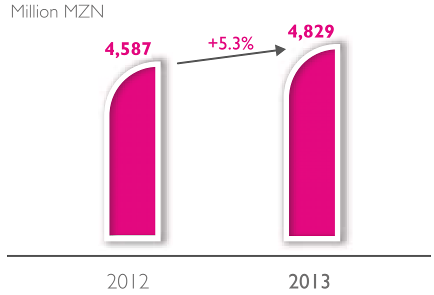
Regarding the portfolio of financial assets, essentially securities issued by the Mozambican State, namely Treasury Bills and Bonds, the increased issues by Banco de Moçambique as of May 2013, enabled increasing the profitability of these assets over the second semester of the year.

In this context the higher net interest income is explained both by the increased loan portfolio and by the balance of financial assets, in spite of the lower market reference rates.

The evolution of net interest income was also determined by the continued adoption of a careful policy of selection of the operations to be funded, by the strict control of credit risk, with priority given to the attraction and retention of Customer funds, through the reinforcement of an appealing offer of products at competitive remuneration rates.

NET INTEREST INCOME

Million MZN



OTHER NET INCOME

Other net income, which includes income from equity instruments, net commissions, earnings from financial transactions and other net operating income, reached 3,210.6 million meticais as at 31 December 2013, compared to 2,872.2 million meticais recorded for the same period of 2012.

INCOME FROM EQUITY INSTRUMENTS

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

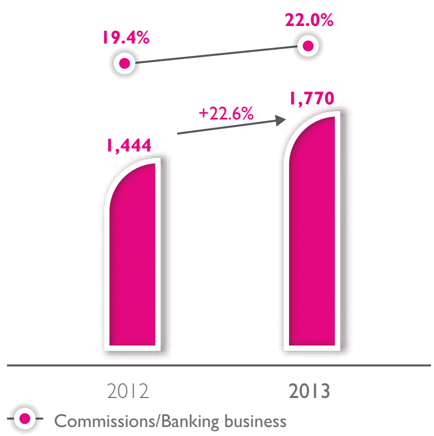
NET FEES AND COMMISSIONS

Net fees and commissions reached 1,770.4 million meticais in 2012, corresponding to growth of 22.6% in relation to the 1,443.8 million meticais recorded for the same period of 2012. The increase in fees and commissions was due to the favourable evolution of commissions more directly related to banking business, in particular the card business, transfer of values and credit guarantees.

The intensification of cross-selling was reflected, above all, in the growth of approximately 37% associated to bancassurance operations.

NET FEES AND COMMISSIONS

Million MZN



EARNINGS FROM TRADING ACTIVITY

Earnings from trading activity reached 812.8 million meticais as at 31 December 2013, compared to 1,016.3 million meticais recorded for the same period of 2012. This decrease was related to the narrowing of margins in the foreign exchange market arising from greater competitiveness in this market.

OTHER NET OPERATING INCOME

Other net operating income amounted to 415.7 million meticais as at 31 December 2013, compared to 204.4 million meticais recorded for the same period of 2012. This performance was essentially influenced by non-recurrent income in the sale of real estate property as well as the earnings gained in the provision of miscellaneous banking services.

OTHER NET INCOME

Million MZN

	Dec. 13	Dec. 12	VAR. % 13/12
Income from equity instruments	**211.7**	207.6	2.0%
Net commissions			
Cards	**921.6**	730.6	26.1%
Credit and guarantees	**364.4**	335.2	8.7%
Foreign operations	**232.2**	169.2	37.3%
Other banking services	**252.2**	208.8	20.8%
Total net commissions	**1,770.4**	1,443.8	22.6%
Earnings from financial transactions	**812.8**	1 016.3	-20.0%
Other net operating income	**415.7**	204.4	103.4%
Total other net income	**3,210.6**	2,872.0	11.8%
Other income/Operating Income	**40%**	39%	

OPERATING COSTS

Operating costs, which incorporate staff costs, other administrative costs, depreciation and amortisation for the year, stood at 3,681.3 million meticais in 2013, representing an increase of 6.5% in relation to the 3,455.7 million meticais recorded in 2012.

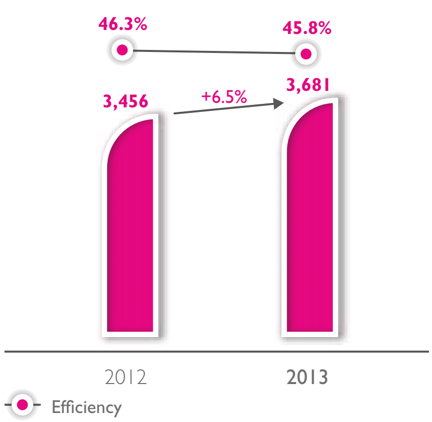
OPERATING COSTS

Million MZN

	Dec. 13	Dec. 12	VAR. % 13/12
Staff costs	**1,692.4**	1,590.6	6.4%
Other administrative costs	**1,642.8**	1,561.1	5.2%
Depreciation and amortisation for the year	**346.2**	304.0	13.9%
	3,681.3	3,455.7	6.5%

OPERATING COSTS

Million MZN



The evolution of operating costs was conditioned by the pursuit of the branch and ATM network expansion plan underway, which grew from 151 branches in December 2012 to 157 by the end of 2013, reflecting the reinforcement of the operating infrastructure and support to the strategy of growth in course.

The 6.2% increase in staff costs in relation to the same period of the previous year is related to the strengthening of the total number of employees, under the expansion plan in progress, which increased from 2,298 to 2,329 pursuant to the expansion of the branch network and adjustment of the central services. This increase was also influenced by the impact of the annual wage updating as well as the wage adjustments throughout the year arising from the evolution of the professional career of the employees.

Other administrative costs increased by 5.2%, influenced by the expansion of the branch network and full remodelling of other branches, and reflect, above all, the higher costs related to security and surveillance services, ATM and POS maintenance, transport of values, and advertising and sponsorships associated to the aforesaid expansion of the distribution networks and banking business.

Depreciation and amortisation for the year reached 346.2 million meticais in 2013, representing growth of 13.9% relative to the value for 2012. The behaviour of depreciation and amortisation for the year was determined by their higher levels, following the technological renovation investments made with a view to supporting the recent growth and enhance the capacity of future platforms which will support the expansion of the activity.

EFFICIENCY RATIO

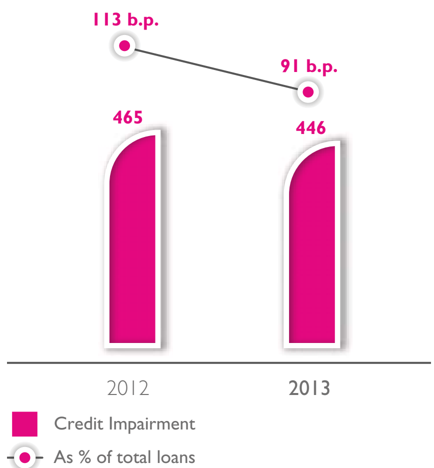
The structure of the loan portfolio maintained the same patterns of diversification, with a slight reinforcement of loans to companies which holds a dominant position in the portfolio of loans granted to customers, with a weight of 76% (74% in 2012).

CREDIT IMPAIRMENT

Credit impairment (net of recovery of loans written off) stood at 446.2 million meticais in 2013, compared to 464.7 million meticais in 2012. The lower value of the allocations for credit impairment is the result of the occurrence of lower signs of impairment, with the Bank upholding its policy of prudent provisioning and reinforcement of the full coverage of the portfolio of loans with signs of impairment.

The cost of risk, calculated by the proportion of the allocation for credit impairment net of recoveries of loans written off from the loan portfolio, stood at 91 b.p. in 2013, compared to the 113 b.p. recorded in 2012.

CREDIT IMPAIRMENT
Million MZN



BALANCE SHEET ANALYSIS

In 2013, Millennium bim continued to manage its balance sheet carefully, preserving its overall structure. The strong growth of credit has always been associated to increased deposits, which has enabled maintaining strict control of the commercial gap.

Total assets reached 85 million meticais at 31 December 2013, 21% higher than in the previous year. This increase of total assets reflects the strong growth of banking activity throughout the year, regarding both borrowing (funds) and lending (loans). In absolute terms, in 2013, funds increased close to 13 million meticais while loans increased by 10 million meticais. These values correspond to year-on-year growth above 20%.

Finally, the technological investment made under the branch and ATM network expansion programme and the investment in the construction of the Bank's new head office were factors which also influenced the growth of assets.

TOTAL ASSETS Million MZN

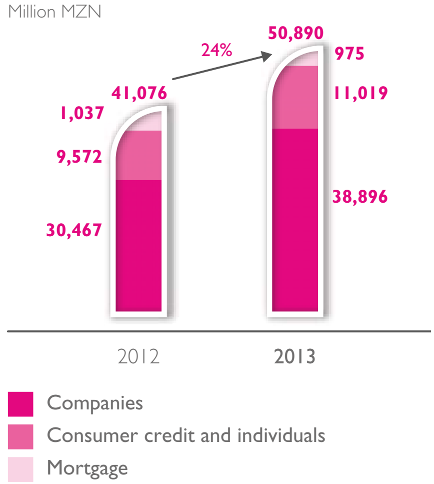
	2013	2012	VAR. %
Cash and deposits at BdM	**7,029**	6,713	4.7%
Deposits and credit in credit institutions	**9,890**	13,421	-26.3%
Loans to Customer (net)	**47,921**	38,230	25.3%
Financial assets available for sale	**14,851**	7,694	93.0%
Investments in subsidiaries	**356**	356	0.0%
Tangible and intangible assets	**4,085**	3,370	21.2%
Other	**1,296**	862	50.4%
	85,428	70,647	20.9%

LOANS TO CUSTOMERS (GROSS)

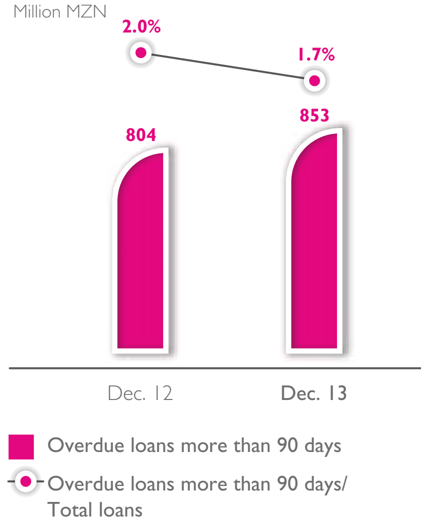
In a context of strong demand for credit, as a natural consequence of the economic growth and investment in infrastructures, Millennium bim recorded a pronounced evolution of loans to companies, which increased by 28% year-on-year, notwithstanding the maintenance of a policy of prudence in selection of operations according to risk and profitability.

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 portfolio of loans granted to customers, with a weight of 76% (74% in 2012).

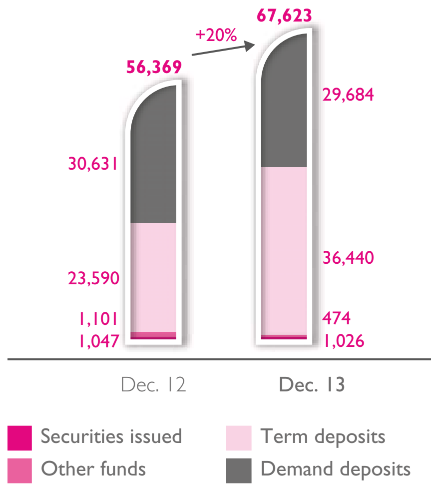
LOANS TO CUSTOMERS (GROSS)
Million MZN



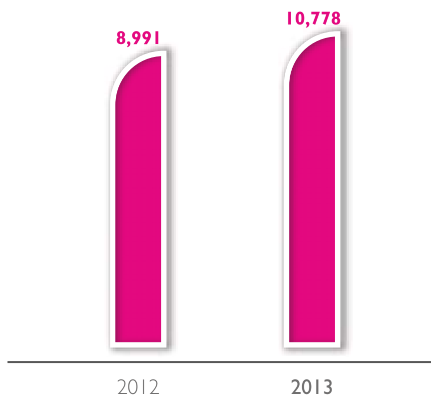
CREDIT QUALITY
Million MZN



CUSTOMER FUNDS
Million MZN



OWN FUNDS
Million MZN



CREDIT QUALITY

The quality of the loan portfolio, measured by the proportion of loans overdue by more than 90 days in total loans, stood at 1.7% as at 31 December 2013 (2.0% as at 31 December 2012), reflecting a decline in non-performance as a result of the prudential policy in credit concession, identification of higher risk segments and actions aimed at strengthening prevention and stimulating credit recovery.

The coverage ratio of loans overdue by more than 90 days by impairment stood at 348% as at 31 December 2013, compared to 354% on the same date of 2012.

CUSTOMER DEPOSITS

In an adverse market context, with significantly higher competition for the attraction of customer funds, the Bank expanded and diversified its offer of products, namely through the offer of programmed small saving solutions and medium and long term investments aimed at individual customers and the strengthening of involvement in company treasury management. In addition to the adjustment of products to demand, the focus on customer service and strict pricing management combined with attractive maturities and remuneration contributed to total customer funds having grown by 20%.

The constant concern to retain and increase customer funds led to enhancing the loyalty and expansion of the Customer base, which was clearly influenced by the increased branch network.

SHARE CAPITAL

The capital ratios, as at 31 December 2013, were calculated in accordance with the regulatory standards of Banco de Moçambique. 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.

The solvency ratio, as at 31 December 2013, stood at 21.4%, with Tier I having reached 21.5%, greatly above the minimum limit of 8% recommended by Banco de Moçambique.

PROPOSED APPLICATION OF NET INCOME

Pursuant to the statutory provisions and under the terms of the Mozambican Legislation in force, namely Law number 15/99 of the Credit Institutions relative to the constitution of Reserves, it is proposed that the net income recorded in the individual balance sheet relative to the financial year of 2012, of the value of 3,302,888,060.09 meticais, should be distributed as follows:

		MZN
Legal Reserve	15.00%	495,433,209.02
Free Reserve	47.50%	1,568,871,828.54
Dividend stabilisation reserve	2.50%	82,572,201.50
Distribution to Shareholders	35.00%	1,156,010,821.03

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

Jorge Octávio Neto dos Santos
Director

Ricardo David
Director

Rogério Gomes Simões Ferreira
Director

João Manuel R. T. da Cunha Martins
Director

Manuel Alfredo de Brito Gamito
Director

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY PROGRAMME – MORE MOZAMBIQUE FOR ME

In its 8th year of existence, the Millennium bim social responsibility programme "More Mozambique for Me" continued to focus on projects aimed at promoting the social well-being of the community, through a policy of regular support to social intervention institutions.

The existence of More Mozambique for Me reflects the Bank's positioning as a socially responsible economic agent, promoting structural projects with continuity, sustainability and national coverage.

Over the years, the Bank has reiterated its commitment to the implementation of the principles of the United Nations Global Pact concerning Human Rights, Work and the Environment, as well as its support to the accomplishment of the objectives of FEMA (Business Forum for the Environment).

Many projects were supported in the area of health, education, culture, youth sports and community development, in particular:

MILLENNIUM BIM MINI BASKETBALL TOURNAMENT

In its 8th edition, the Millennium bim Mini Basketball Tournament involved 1600 athletes, aged 8 to 12 years old, from 9 cities: Maputo, Beira, Nampula, Quelimane, Xai-Xai, Chimoio, Tete, and this year for the first time the cities of Matola and Nacala.

With a strong social component, the Millennium bim Mini Basketball Tournament which is held in partnership with Clube Ferroviário de Maputo, aims to develop and boost the practice of sports, contributing to the training of a vast number of children, technical teams and monitors, and operating as a launch pad for various athletes.

Over its 8 editions many new talents of Mozambican basketball have started to emerge and develop their technical skills during this Tournament. Evidence of this fact was seen in the massive presence of athletes at the Women's National Team for under 16 year-olds which achieved the bronze medal in the Afro-basket 2013. Of the twelve athletes comprising the team, seven began their path in the Mini Basketball Tournament, including the athlete who was considered the best player of the competition.

In the XI edition of the National School Games Festival, in which 1500 athletes from all over the country participated, 35% of the male participants and 68% of the female participants competing in the Basketball competition first entered this sport at the Millennium bim Mini Basketball Tournament.

Millennium bim was awarded, at the highest level, for its work in training and the promotion of Mozambican Basketball. This recognition was given by FIBA Africa, an international federation of the Basketball Associations of the African Continent, which distinguished the Bank for its important role in the development and support of Basketball in Mozambique.

A CLEAN CITY FOR ME

In its 7th edition, the A Clean City for Me project, involved over 2300 students and teachers of 20 primary and secondary schools of the cities of Maputo and Matola who, apart from the cleaning of the main roads of the two cities, also acted inside and outside their schools.

This initiative aims to raise the awareness of young students on the need to create good hygiene habits and stimulate civic education through community service. One of the initiatives was to awaken the community to the importance of recycling.

MILLENNIUM BIM BANKING OLYMPICS

This is a pioneer programme in the area of financial literacy in Mozambique which seeks to train a new generation of people to become more aware of the importance of sound money management for the personal and social development of any country. Through this competition, composed of various qualifying phases, secondary school students answered questions on the topic of Banking, with the final winners being selected at the Grand Finale: students and schools.

The winning schools were awarded with the "More Knowledge for All" space, a suitable place for the study and research of the topics addressed in these Olympics, while the winning students received, among other prizes, the opening of an account at Millennium bim.

PARTNERSHIP WITH AMOR – RECYCLING PROJECT

For the 4th year consecutively, Millennium bim was the main partner of AMOR (Mozambican Recycling Association). This project, a reference with respect to the recycling and reuse of solid waste, involves the selective collection of urban waste and operates in two ways:

- Through a service free of charge, where AMOR collectors visit private homes and companies to collect recyclable waste;
- Through nine Ecopoints (recyclable material purchase centres) where people deposit waste which can be recycled.

The development of this project has contributed to reduce the rubbish management load (around 120 tons of waste per month), which represents a significant saving of natural resources and CO_2 emissions.

ROAD SAFETY CAMPAIGN

Following up on the work carried out in previous years, the Road Safety Campaign, conducted in partnership with the Police of the Republic of Mozambique (PRM) and Ímpar – Seguradora Internacional, covered 20 schools of the province of Maputo, where close to 10,000 students attended lectures given by PRM officers on how to avoid the real dangers of public roads.

MILLENNIUM BIM RACE

Millennium bim organised the 8th edition of the Millennium bim Race, which seeks to boost the development of this sport and contribute to the appearance of new talent in this sport.

The race was attended by over 1,000 athletes in various categories: national and international, physically disabled athletes and amateurs of the practice of physical exercise who also participated in order to draw the attention of Mozambicans to the importance of physical activity and the need for a healthy life-style.

RESPONSIBLE MILLENNIUM BIM

Once again, the Bank's Employees participated in actions of social and community interest, contributing to the improved quality of life and well-being of the community, under the corporate voluntary work project, Responsible Millennium bim.

Matola infant school, located in the province of Maputo, was the selected institution, where, together with the Stewart Sukuma Association, the Bank's Employees equipped the physiotherapy and recreational activity rooms, improving the living conditions of the 60 resident children with special needs.

Furthermore, Millennium bim also participated in numerous other initiatives under the social responsibility programme, including:

Millennium bim supports the Mozambique Red Cross

Development of a programme of primary healthcare assistance to the communities affected by the floods which devastated the country.

Construction of a well in the province of Tete

Construction of a well in Domué, in the province of Tete to resolve the problem of hundreds of families who had to cover long distances to fetch water, thus contributing to an improvement in the living conditions of the resident community.

Art Centre

Signing of an agreement with the Art Centre and Fund for Artistic and Cultural Development (FUNDAC), where Millennium bim became the exclusive Sponsor of the Art Centre, an institution that is 8 decades old and recognised as a place of meeting of the major personalities of the Mozambican world of art and culture.

Support to Institutions

In 2013, many institutions from the north to the south of Mozambique benefited from the Bank's support to meet the needs of 5,500 vulnerable children.

More Sports for All

An initiative launched in 2013, aimed at supporting school sports through donation of the equipment required for the students to be able to practice the subject of physical education at their schools.

Millennium bim School project establishes partnership with ADPP – Children's Citadel

The objective of this initiative is to support school education and encourage entrepreneurial action, improving the vocational training activity of the sewing course.

More Mozambique for Me in Azgozito

Promotion of a workshop (included in the 3rd edition of the AZGO Festival), aimed at enriching the musical sensitivity of over 200 children, and giving them the opportunity to be in contact with national and foreign performers.

Introduction of computer rooms

Donation of computers and other IT material to four secondary schools of the provinces of Nampula, Zambézia, Manica and Gaza, enabling teachers and students to develop their knowledge on the subject in rooms sponsored by Millennium bim.

Annual Report 2013

FINANCIAL STATEMENTS

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INCOME STATEMENT

for the year ended on 31 December 2013

Thousand MZN

	Notes	2013	2012
Interest and similar income	2	**7,341,996**	7,346,761
Interest and similar costs	2	**2,283,743**	2,461,343
Net interest income		**5,058,253**	**4,885,418**
Income from equity instruments	3	**1,974**	1,697
Earnings from services and commissions	4	**1,724,882**	1,418,048
Earnings from financial transactions	5	**839,579**	1,077,407
Other net operating income	6	**964,739**	571,436
		3,531,174	**3,068,588**
Total operating income		**8,589,427**	**7,954,006**
Staff costs	7	**1,780,547**	1,676,540
Other administrative costs	8	**1,586,792**	1,486,735
Depreciation and amortisation for the year	9	**373,914**	333,687
Total operating costs		**3,741,253**	**3,496,962**
Credit impairment	10	**446,181**	464,722
Other provisions	11	**208,977**	179,042
Net operating income		**4,193,016**	**3,813,280**
Equity accounted earnings		**-**	30,679
Pre-tax profit		**4,193,016**	**3,843,959**
Taxes			
Current	12	**740,605**	674,678
Deferred	12	**(9,552)**	(9,670)
		731,053	**665,008**
Profit after income tax		**3,461,963**	**3,178,951**
Consolidated net income for the year attributable to:			
Shareholders of the Bank		**3,424,570**	3,137,748
Non-controlling interests		**37,393**	41,203
Net income for the year		**3,461,963**	**3,178,951**
Earnings per share	13	**MZN 76.10**	**MZN 69.73**

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the year ended on 31 December 2013

Thousand MZN

Comprehensive Income Statement	2013	2012
ITEMS THAT MIGHT BE RECLASSIFIED TO THE INCOME STATEMENT		
Financial assets available for sale – fair value changes	**(2,687)**	3,622
Taxes	**773**	(1,159)
	(1,914)	2,463
ITEMS THAT WILL NOT BE RECLASSIFICATION OF NET INCOME FOR THE YEAR		
Revaluation reserves of hedge instruments, under cash flow hedging	**(5,101)**	-
Taxes	**816**	-
Actuarial losses for the period	**(8,015)**	(1,930)
	(12,300)	(1,930)
Other comprehensive income for the period after taxes	**(14,214)**	533
Consolidated net income for the period	**3,461,963**	3,178,951
Total comprehensive income for the period	**3,447,749**	3,179,484
Attributable to:		
Shareholders of the Bank	**3,410,540**	3,138,033
Non-controlling interests		
Financial assets available for sale – fair value changes	**(271)**	365
Taxes	**87**	(117)
	(184)	248
Consolidated net income for the period	**37,393**	41,203
	37,209	41,451
Total comprehensive income for the period	**3,447,749**	3,179,484

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED BALANCE SHEET

as at 31 December 2013

Thousand MZN

	Notes	2013	2012
ASSETS			
Cash and deposits at Banco de Moçambique	14	**7,029,464**	6,712,922
Deposits in other credit institutions	15	**2,658,002**	2,522,895
Investments in credit institutions	16	**7,320,583**	10,960,882
Loans to customers	17	**47,920,633**	38,230,301
Financial assets available for sale	18	**16,308,931**	9,192,665
Investments in associates	19	**267,258**	252,547
Investment properties		**52,223**	52,223
Other tangible assets	20	**4,522,902**	3,923,958
Goodwill and intangible assets	21	**273,943**	254,787
Current tax assets	22	**165,561**	165,561
Deferred tax assets	29	**37,700**	28,148
Other assets	23	**1,328,794**	846,822
Total Assets		**87,885,994**	73,143,711
LIABILITIES			
Deposits of other credit institutions	24	**1,472,978**	163,127
Customer deposits	25	**64,573,747**	53,918,201
Debt securities issued	26	**1,026,201**	1,029,762
Provisions	27	**3,434,343**	3,262,020
Current tax liabilities	22	**273,918**	-
Deferred tax liabilities	29	**19,020**	19,605
Other liabilities	30	**1,573,903**	1,636,695
Total Liabilities		**72,374,110**	60,029,410
EQUITY			
Share capital	31	**4,500,000**	4,500,000
Reserves and retained earnings	32	**10,858,876**	8,476,301
Total Equity attributable to the Group		**15,358,876**	12,976,301
Non-controlling interests		**153,008**	138,000
Total Equity		**15,511,884**	13,114,301
Total Equity and Liabilities		**87,885,994**	73,143,711

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED CASH FLOW STATEMENT

for the year ended on 31 December 2013

Thousand MZN

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions received	**9,406,836**	8,401,718
Interest and commissions paid	**(2,365,601)**	(2,572,764)
Payments to employees and suppliers	**(3,238,140)**	(3,120,590)
Recovery of loans previously written off	**61,425**	63,931
Insurance premiums received	**1,111,729**	936,760
Payment of claims of insurance activity	**(562,976)**	(488,701)
Operating earnings before changes in operating funds	**4,413,274**	3,220,354
(Increases)/decreases of operating assets		
Financial assets available for sale	**(7,357,795)**	1,021,733
Investments in credit institutions	**3,861,515**	(5,278,379)
Deposits at central banks	**(334,810)**	(410,342)
Loans to customers	**(9,893,102)**	(4,243,863)
Other operating assets	**(477,179)**	(98,303)
Increases/(decreases) of operating liabilities		
Deposits of other credit institutions	**1,309,729**	68,947
Customer deposits and other loans	**10,951,745**	9,150,326
Other operating liabilities	**188,381**	621,718
Net cash flow from operating activities before payment of income tax	**2,661,758**	4,052,191
Income tax paid	**(466,687)**	(1,166,214)
Net cash flow from operating activities	**2,195,071**	2,885,977
CASH FLOW FROM INVESTMENT ACTIVITIES		
Acquisition/reinforcement of holdings	**(14,711)**	(27,570)
Dividends received	**1,974**	1,697
Acquisition of fixed assets	**(1,118,242)**	(1,238,395)
Values received from the sale of fixed assets	**93,417**	12,058
Net cash flow from investment activities	**(1,037,562)**	(1,252,210)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(1,041,512)**	(1,123,905)
Net cash flow from financing activities	**(1,041,512)**	(1,123,905)
Effect of change in exchange rate on cash and cash equivalents	**209,283**	(268,813)
Increase/(decrease) in cash and cash equivalents	**325,279**	241,049
Cash and cash equivalents at the beginning of the period	**4,968,625**	4,727,575
Cash and cash equivalents at the end of the period	**5,293,904**	4,968,624

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended on 31 December 2013

Thousand MZN

	Total Equity	Share capital	Legal reserve	Other reserves and retained earnings	Non--controlling interests
Balance as at 31 December 2011	**11,085,080**	**4,500,000**	**1,366,001**	**5,098,969**	**120,110**
Transfer to the legal reserve	-	-	512,628	(512,628)	-
Dividends distributed in 2012	(1,147,154)	-	-	(1,123,905)	(23,249)
Other movements	(3,109)	-	-	(2,797)	(312)
Comprehensive income for 2012	3,179,484	-	-	3,138,033	41,451
Balance as at 31 December 2012	**13,114,301**	**4,500,000**	**1,878,629**	**6,597,672**	**138,000**
Transfer to the legal reserve	-	-	446,363	(446,363)	-
Dividends distributed in 2013	(1,065,255)	-	-	(1,041,512)	(23,743)
Other movements	15,089	-	-	13,547	1,542
Comprehensive income for 2013	3,447,749	-	-	3,410,540	37,209
Balance as at 31 December 2013	**15,511,884**	**4,500,000**	**2,324,992**	**8,533,884**	**153,008**

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 2013

Thousand MZN

	Notes	2013	2012
Interest and similar income	2	**7,173,910**	7,221,435
Interest and similar costs	2	**2,344,972**	2,634,487
Net interest income		**4,828,938**	4,586,948
Income from equity instruments	3	**211,666**	207,568
Earnings from services and commissions	4	**1,770,430**	1,443,855
Earnings from financial transactions	5	**812,795**	1,016,302
Other net operating income	6	**415,722**	204,374
		3,210,613	2,872,099
Total operating income		**8,039,551**	7,459,047
Staff costs	7	**1,692,352**	1,590,606
Other administrative costs	8	**1,642,790**	1,561,063
Depreciation and amortisation for the year	9	**346,153**	304,001
Total operating costs		**3,681,295**	3,455,670
Credit impairment	10	**446,181**	464,722
Other provisions	11	**17,159**	36,951
Pre-tax profit		**3,894,916**	3,501,704
Taxes			
Current	12	**601,578**	533,174
Deferred	12	**(9,552)**	(9,874)
		592,026	523,300
Profit after income tax		**3,302,890**	2,978,404
Net income for the year		**3,302,890**	2,978,404
Earnings per share	13	**MZN 73.40**	MZN 66.19

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

COMPREHENSIVE INCOME STATEMENT OF THE BANK

for the year ended on 31 December 2013

Thousand MZN

Comprehensive Income Statement	2013	2012
ITEMS THAT WILL NOT BE RECLASSIFICATION OF NET INCOME FOR THE YEAR		
Revaluation reserves of hedge instruments, under cash flow hedging	(5,101)	-
Revaluation reserve taxes	816	-
Actuarial losses for the period	(8,309)	(2,979)
Other comprehensive income for the period after taxes	(12,594)	(2,979)
Net income for the period	3,302,890	2,978,404
Total comprehensive income for the period	3,290,296	2,975,425

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 2013

Thousand MZN

	Notes	2013	2012
ASSETS			
Cash and deposits at Banco de Moçambique	14	**7,029,464**	6,712,922
Deposits in other credit institutions	15	**2,658,002**	2,517,860
Investments in credit institutions	16	**7,231,863**	10,903,606
Loans to customers	17	**47,920,633**	38,230,301
Financial assets available for sale	18	**14,850,647**	7,693,799
Investments in subsidiaries	19	**356,148**	356,148
Other tangible assets	20	**3,954,375**	3,254,407
Intangible assets	21	**131,071**	116,037
Current tax assets	22	**141,619**	141,619
Deferred tax assets	29	**35,193**	25,641
Other assets	23	**1,119,224**	694,284
Total assets		**85,428,239**	70,646,624
LIABILITIES			
Deposits of other credit institutions	24	**1,472,978**	163,127
Customer deposits	25	**66,597,211**	55,321,482
Debt securities issued	26	**1,026,201**	1,047,442
Provisions	27	**366,720**	344,839
Subordinated liabilities	28	**175,611**	260,736
Current tax liabilities	22	**221,059**	-
Other liabilities	30	**1,330,437**	1,520,084
Total liabilities		**71,190,217**	58,657,710
EQUITY			
Share capital	31	**4,500,000**	4,500,000
Reserves and retained earnings	32	**9,738,022**	7,488,914
Total Equity		**14,238,022**	11,988,914
Total Equity and Liabilities		**85,428,239**	70,646,624

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOW STATEMENT OF THE BANK

for the year ended on 31 December 2013

Thousand MZN

	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commissions received	**9,234,146**	8,290,050
Interest and commissions paid	**(2,362,336)**	(2,702,046)
Payments to employees and suppliers	**(3,256,544)**	(3,160,012)
Recovery of loans previously written off	**61,425**	63,931
Operating earnings before changes in operating funds	**3,676,691**	2,491,923
(Increases)/decreases of operating assets		
Financial assets available for sale	**(7,398,274)**	2,059,079
Investments in credit institutions	**3,878,210**	(5,204,861)
Deposits at central banks	**(334,810)**	(410,342)
Loans to customers	**(9,902,901)**	(4,227,387)
Other operating assets	**(425,023)**	(88,004)
Increases/(decreases) of operating liabilities		
Deposits of other credit institutions	**1,309,729**	68,947
Customer deposits and other loans	**11,563,864**	8,371,823
Liabilities represented by securities	**(16,250)**	(216,250)
Other operating liabilities	**147,801**	789,415
Net cash flow from operating activities before payment of income tax	**2,499,037**	3,634,343
Income tax paid	**(380,519)**	(966,855)
Net cash flow from operating activities	**2,118,518**	2,667,488
CASH FLOW FROM INVESTMENT ACTIVITIES		
Dividends received	**211,666**	207,568
Acquisition of fixed assets	**(1,065,588)**	(1,227,833)
Values received from the sale of fixed assets	**(4,238)**	9,185
Net cash flow from investment activities	**(858,160)**	(1,011,080)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(1,041,511)**	(1,123,905)
Repayment of subordinated debt	**(85,000)**	-
Interest paid in financing activities	**(12,816)**	(27,648)
Net cash flow from financing activities	**(1,139,327)**	(1,151,553)
Effect of change in exchange rate on cash and cash equivalents	**209,282**	(268,813)
Increase/(decrease) in cash and cash equivalents	**330,313**	236,042
Cash and cash equivalents at the beginning of the period	**4,963,590**	4,727,547
Cash and cash equivalents at the end of the period	**5,293,903**	4,963,589

See 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 2013

Thousand MZN

	Total Equity	Share capital	Legal reserve	Other reserves and retained earnings
Balance as at 31 December 2011	10,137,395	4,500,000	1,366,001	4,271,394
Transfer to the legal reserve	-	-	512,628	(512,628)
Dividends distributed in 2012	(1,123,905)	-	-	(1,123,905)
Comprehensive income	2,975,425	-	-	2,975,425
Balance as at 31 December 2012	11,988,914	4,500,000	1,878,629	5,610,285
Transfer to the legal reserve	-	-	446,363	(446,363)
Dividends distributed in 2013	(1,041,512)	-	-	(1,041,512)
Other movements	324			324
Comprehensive income for 2013	3,290,296	-	-	3,290,296
Balance as at 31 December 2013	14,238,022	4,500,000	2,324,992	7,413,030

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended on 31 December 2013

BANCO INTERNACIONAL DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS
for the year ended on 31 December 2013

1. ACCOUNTING POLICIES

INTRODUCTION
BIM – Banco Internacional de Moçambique, S.A. ("Bank" or "BIM") is a private bank with head office in Maputo. The accounts presented herein reflect the earnings of its operations for the financial year ended on 31 December 2013.

The Bank's primary objective is the accomplishment of financial transactions and 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.

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 21 February 2014, and are stated in MZN rounded to the nearest thousand.

The Bank has adopted the IFRS and interpretations of mandatory application for financial years beginning on or after 1 January 2013, as mentioned in Note 43.

The accounting policies set forth in this note were applied consistently to all the Group's entities, and are consistent with those used in the preparation of the financial statements of the previous period, except with respect to the adoption of the following standards and amendments to standards:

IFRS 13 *Fair value measurement*
IFRS 13 provides guidance on the measurement of fair value and replaces provisions that had been dispersed in various IFRS. This standard defines fair value as the price at which an ordered transaction for the sale of an asset or transfer of a liability should be concluded between market participants on the date of its measurement. The standard was applied prospectively by the Group, and its application did not have significant impacts on the measurement of assets and liabilities.

IAS 1 *Presentation of Financial Statements – Presentation of items of other comprehensive income*
The amendments to IAS 1 only had impact on the presentation of the Consolidated Comprehensive Income Statement, which henceforth separated items which could be reclassified to the income statement from items which will not be reclassified to the income statement. The comparative information modified accordingly.

IAS 19 – IAS 19 *(Revised) Employee Benefits (2011)*
Pursuant to IAS 19 (2011), the Bank henceforth determined 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 retirement pensions. On this basis, the net income/cost of interest represents the cost of interest associated to retirement pension liabilities net of the theoretical income from the fund's assets, where both are measured based on the discount rate used to calculate the liabilities.

Formerly, the Bank calculated the expected income of the fund's assets based on the expected long term yield. Furthermore, and pursuant to IAS 19 (2011), actuarial gains and losses are recorded against Other Comprehensive Income. Formerly, actuarial gains and losses had been deferred in accordance with the corridor method. The changes arising from the adoption of IAS 19 (*Revised*) had no relevant effect on the Bank's accounts.

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.

Functional and presentation currency

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

Use of estimates

The preparation of the financial statements in conformity with IFRS requires that the Board of Directors make judgements, 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 a basis for the judgments on the values of the assets and liabilities that are not evident from 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 in these notes, under item y).

B) BASIS OF CONSOLIDATION

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

(i) Financial holdings in subsidiaries

Financial holdings in subsidiaries where the Group exercises control are consolidated through the full consolidation method from the date the Group assumes control over their financial and operating activities until the time when this control terminates.

Control is presumed to exist when the Group holds more than half of the voting rights. Control also exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of a given company in order to obtain benefits from its activities, even if the Group's percentage holding of its equity is less than 50%.

The consolidated financial statements relative to 31.12.13 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 occurred up to 1 January 2006 was recorded against reserves.

Business combinations occurred 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 recorded directly through profit or loss.

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

The recoverable value of the goodwill recorded in the assets is assessed annually, regardless of the existence of signs of impairment. Any impairment losses determined are recognised through profit or loss for the year.

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.

If the goodwill is negative, it is recorded directly through profit or loss for the 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 Bank's stake in a subsidiary that does not lead to loss of control are stated as equity transactions.

(v) Loss of control
When the Bank 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 Bank expire or (iii) the Bank 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 in the balance sheet minus 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 terms, the following factors are considered:

- The total exposure of each Customer at the Bank and the existence of overdue loans;
- The economic-financial viability of the Customer's business and 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, with the book value of each loan, where losses are stated against profit or loss.

The book value of impaired loans 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 when 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.

Collective impairment loss is determined considering the following aspects:

- 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 Bank to recognise losses whose identification, in individual terms, will only occur in future periods.

D) FINANCIAL INSTRUMENTS

The Bank classifies its financial assets under the following categories:

1) Securities available for sale

Securities available for sale held for the purpose of being maintained by the Group, namely bonds, treasury bills or shares, and are classified as available for sale, unless they are classified under another category of financial assets. Securities available for sale are initially recognised at fair value, including any costs and income associated to the transaction, and are held for an undetermined period, and may be sold in order to meet liquidity needs or as a result of changes in interest rates, exchange rates or share prices.

Securities available for sale are subsequently measured at their fair value. The changes in fair value are stated against fair value reserves until they are sold or there are impairment losses. In the sale of these securities, the accumulated gains or losses recognised as fair value reserves are recorded under Earnings from securities 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 a premium or discount is associated to the assets, the premium or discount is included in the calculation of the effective interest rate. 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.

(i) 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.

The impairment losses recognised in equity instruments classified as available for sale, when reversed, are recognised against reserves.

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

(ii) Recognition date

The Bank and Group recognise financial assets available for sale on the date when the commitment is made to acquire the assets. All the profit and losses arising from the changes in the fair value of these assets are recognised as of this date.

Loans held to maturity and the credit and debit derived thereof are recognised on the day when the cash is disbursed to the Customer.

(iii) Principles of fair value measurement

The fair value of financial instruments is based on their market price as at the reporting date, without any deduction of transaction costs.

If the market price is unknown, the fair value of the financial instruments is estimated through discounted cash flow techniques.

When discounted cash flow techniques are used, the future cash flow is estimated based on the best estimates made by the Management, with the discount rate being the market rate as at the reporting date for an instrument under similar terms and conditions.

Fair value is not determined in cases where it is not practical to do so, and in cases where the main characteristics of the underlying financial instrument, pertinent to their value, are disclosed.

(iv) Derecognition

The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards of the financial assets have been substantially transferred or the Group no longer controls these assets.

The Group derecognises financial liabilities when they are discharged, cancelled or extinguished.

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 ineffectiveness is recognised through profit or loss when it occurs.

Reclassification between financial instruments categories

In October 2008, the IASB issued the revision of standard IAS 39 – Reclassification of financial instruments (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This amendment allows an entity to transfer financial assets from Financial assets at fair value through profit or loss – trading to Financial assets available for sale, Loans to customers – Securitised loans or to Financial assets held to maturity, provided that the requirements described in the standard are met, namely:

- If a financial asset, at the reclassification date presents the characteristics of a debt instrument for which there is no active market; or
- When an event occurs which is uncommon and whose recurrence is highly improbable in the short term, i.e., the event can be considered a rare circumstance.

The Group has not adopted this possibility for a series of financial assets.

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, assets under financial leasing are recorded in the balance sheet as leased capital at the value equivalent to the net investment of the financial lease. The instalments are composed of the financial income plus the amortisation of the principal. The recognition of the financial result reflects a constant periodic 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.

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 and as the services are provided, their recognition through profit or loss is made in the period to which they refer; and
- When they arise from the provision of services, their recognition is made when the service is completed.

Income from fees 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 trading activity 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.

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 of expected useful life:

	Number of years
Properties	50
Works on rented buildings(*)	10
Basic	4 to 10
Other fixed 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 are initially recognised at acquisition cost, including transaction costs and are subsequently restated 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 Bank.

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. Currency conversion differences are recognised through profit or 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 their net value is reported in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions can be settled at their net value.

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 defined 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 insurance is reinforced every month through the Group's contributions, corresponding to 5.55% of the value of the wages of employees recruited up to 31 December 2011, which are stated as costs for the actual year.

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 of each year.

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 the discount rate corresponding to the interest rate of high-quality corporate bonds with maturity date similar to the end date of the plan's liabilities.

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 Bank 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 Bank 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 TAX

The Bank and its subsidiary based in Maputo 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 when it is probable that future taxable profits will be available to absorb deductible temporary differences for tax purposes (including tax losses carried forward).

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;
- Corporate Banking; and
- Insurance.

V) PROVISIONS

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

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.

In cases where the discount effect 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 derecognised through their use for the obligations for which they were initially constituted or in cases where they are no longer observed.

Changes to these assumptions could have a significant impact on the determined 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 participation in profit, is recorded 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 refer in the same way as gross premiums issued.

Provision for non-acquired direct insurance and assigned 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):

Pursuant to IFRS 4, 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.

Y) ACCOUNTING ESTIMATES IN THE APPLICATION OF THE 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 Bank and Group, and their disclosure.

Considering that in some cases the accounting standards enable alternative accounting treatment in relation to that 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 Bank and Group in a suitable manner in all materially relevant aspects.

The alternative outcomes discussed below are presented solely to facilitate the interpretation of 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 Management's best estimate of the present value of the expected cash flow. In estimating this cash flow, the Management 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 identified specifically.

In the assessment of the need to record loan impairment losses, the Management considers factors such as the 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 the 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) Determination of fair value
The determination of the fair value of the 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 with respect to market factors, assumptions on price establishment and other risks which affect specific instruments.

(iii) Employee benefit plan
The determination of 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 to these assumptions could have a significant impact on the determined values.

2. NET INTEREST INCOME

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
INTEREST AND SIMILAR INCOME				
Interest on loans	**6,466,998**	6,060,703	**6,466,998**	6,060,703
Interest on deposits and other investments	**138,418**	161,462	**132,873**	146,237
Interest on securities available for sale	**736,580**	1,124,596	**574,039**	1,014,495
	7,341,996	7,346,761	**7,173,910**	7,221,435
INTEREST AND SIMILAR COSTS				
Interest on deposits and other funds	**2,155,131**	2,294,456	**2,203,353**	2,424,243
Interest on securities issued	**126,508**	165,636	**139,515**	208,993
Other similar costs and interest	**2,104**	1,251	**2,104**	1,251
	2,283,743	2,461,343	**2,344,972**	2,634,487
NET INTEREST INCOME	**5,058,253**	4,885,418	**4,828,938**	4,586,948

3. INCOME FROM EQUITY INSTRUMENTS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Income from investments in subsidiaries	**-**	-	**211,666**	207,568
Income from securities available for sale	**1,974**	1,697	**-**	-
	1,974	1,697	**211,666**	207,568

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	
	2013	2012	**2013**	2012
BANKING SERVICES RENDERED				
For guarantees provided	**416,873**	360,994	**416,873**	360,994
For banking services rendered	**843,544**	677,043	**892,196**	706,011
Insurance activity commissions	**55,502**	46,295	**-**	-
Other commissions	**606,677**	494,705	**606,677**	494,705
	1,922,596	1,579,037	**1,915,746**	1,561,710
BANKING SERVICES RECEIVED				
For guarantees provided	**31,867**	22,271	**31,867**	22,271
For banking services rendered	**110**	187	**110**	105
Insurance activity commissions	**52,398**	43,007	**-**	-
Other commissions	**113,339**	95,524	**113,339**	95,479
	197,714	160,989	**145,316**	117,855
NET INCOME FROM SERVICES AND COMMISSIONS	**1,724,882**	1,418,048	**1,770,430**	1,443,855

5. EARNINGS FROM TRADING ACTIVITY

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
PROFITS FROM FINANCIAL TRANSACTIONS				
Foreign exchange transactions	**851,842**	950,557	**812,860**	913,115
Other transactions	**-**	138,467	**-**	103,204
	851,842	1,089,024	**812,860**	1,016,319
LOSSES FROM FINANCIAL TRANSACTIONS				
Foreign exchange transactions	**65**	17	**65**	17
Other transactions	**12,198**	11,600	**-**	-
	12,263	11,617	**65**	17
	839,579	1,077,407	**812,795**	1,016,302

In December 2012, the value of Earnings from trading activity under other transactions includes the earnings of 9,000 thousand meticais from the sale of Visa shares.

6. OTHER NET OPERATING INCOME

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
OTHER OPERATING INCOME				
Income from real estate properties	**12,319**	11,315	**2,502**	1,274
Services rendered	**23,543**	46,414	**66,878**	96,160
Reimbursement of expenses	**143,105**	124,847	**143,105**	124,847
Insurance premiums	**1,111,729**	936,760	**-**	-
Other operating income	**243,021**	36,059	**247,854**	32,926
	1,533,717	1,155,395	**460,339**	255,207
OTHER OPERATING COSTS				
Taxes	**18,216**	15,363	**16,877**	14,159
Donations and levies	**15,365**	16,088	**15,365**	16,088
Costs related to claims	**494,021**	488,701	**-**	-
Other operating costs	**41,376**	63,807	**12,375**	20,586
	568,978	583,959	**44,617**	50,833
	964,739	571,436	**415,722**	204,374

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	
	2013	2012	**2013**	2012
Remunerations	**1,670,365**	1,579,905	**1,543,828**	1,458,007
Mandatory social security charges	**62,384**	59,626	**53,198**	50,677
Optional social security charges	**40,596**	29,891	**90,701**	77,780
Other costs	**7,202**	7,118	**4,625**	4,142
	1,780,547	1,676,540	**1,692,352**	1,590,606

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Senior management	**154**	164	**140**	147
Specific /Technical staff	**848**	845	**739**	735
Other positions	**1,436**	1,401	**1,417**	1,383
	2,438	2,410	**2,296**	2,265

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 2013, recorded under the heading of Remunerations, stood at 133,164 thousand meticais and 125,156 thousand meticais, respectively (2012: 114,206 thousand meticais and 107,158 thousand meticais).

8. OTHER ADMINISTRATIVE COSTS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Water, electricity and fuel	**76,436**	76,594	**72,179**	72,326
Consumables	**100,136**	101,144	**98,329**	98,380
Hire and rental charges	**112,732**	106,089	**171,549**	179,946
Communications	**101,896**	102,673	**99,544**	99,841
Travel, hotel and representation costs	**52,259**	50,431	**51,353**	48,735
Advertising	**103,113**	81,058	**95,209**	70,336
Costs related to independent work	**66,548**	59,772	**37,628**	37,227
Maintenance and repair	**134,771**	149,853	**127,745**	145,448
Insurance	**6,439**	6,389	**63,092**	61,598
Legal and notary services	**5,989**	5,375	**5,923**	5,308
IT and Consulting	**622,479**	558,012	**621,236**	556,661
Security and surveillance	**80,856**	67,758	**78,664**	65,881
Cleaning of premises	**26,136**	25,864	**26,136**	25,864
Transport of values	**75,748**	67,615	**75,748**	67,615
Staff training	**17,648**	25,138	**17,648**	25,138
Other third party services	**3,606**	2,970	**807**	759
	1,586,792	1,486,735	**1,642,790**	1,561,063

9. DEPRECIATION AND AMORTISATION FOR THE YEAR

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
INTANGIBLE ASSETS				
Software	**39,207**	24,330	**33,193**	19,589
TANGIBLE ASSETS				
Real estate properties	**68,205**	60,303	**55,625**	45,363
Equipment	**266,469**	249,021	**257,302**	239,016
Furniture	**16,406**	14,934	**15,883**	14,424
Machines	**10,882**	10,472	**10,723**	10,312
IT equipment	**133,641**	127,064	**131,942**	125,040
Interior premises	**36,244**	32,196	**35,200**	31,152
Vehicles	**52,080**	48,478	**47,118**	42,978
Security equipment	**14,653**	13,385	**14,653**	13,385
Other equipment	**2,563**	2,492	**1,783**	1,725
Other tangible assets	**33**	33	**33**	33
	334,707	309,357	**312,960**	284,412
	373,914	333,687	**346,153**	304,001

10. CREDIT IMPAIRMENT

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
LOANS GRANTED TO CUSTOMERS				
Net allocation for the year	**507,606**	528,653	**507,606**	528,653
Recovery of loans and interest written off from assets	**(61,425)**	(63,931)	**(61,425)**	(63,931)
	446,181	464,722	**446,181**	464,722

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	
	2013	2012	**2013**	2012
PROVISIONS FOR INDIRECT CREDIT RISKS				
Allocation for the year	**155,372**	132,311	**155,372**	132,311
Reversal for the year	**(138,831)**	(77,673)	**(138,831)**	(77,673)
PROVISIONS FOR GENERAL BANKING RISKS				
Allocation for the year	**10,466**	17,733	**10,466**	17,733
Reversal for the year	**-**	-	**-**	-
OTHER PROVISIONS FOR RISKS AND COSTS				
Allocation for the year	**4,800**	-	**4,800**	-
Reversal for the year	**(9,700)**	(35,420)	**(9,700)**	(35,420)
INSURANCE TECHNICAL PROVISIONS				
Allocation for the year	**185,578**	139,909	**-**	-
Reversal for the year	**-**	-	**-**	-
PROVISIONS FOR OTHER ASSETS				
Allocation for the year	**6,240**	2,182	**-**	-
Reversal for the year	**(4,948)**	-	**(4,948)**	-
	208,977	179,042	**17,159**	36,951

12. TAXES

Thousand MZN

	Group		Bank	
	2013	2012	2013	2012
Current tax	**740,605**	674,678	**601,578**	533,174
Deferred tax				
Tangible assets	**(9,552)**	(9,670)	**(9,552)**	(9,874)
	(9,552)	(9,670)	**(9,552)**	(9,874)
Total tax costs	**731,053**	665,008	**592,026**	523,300
RECONCILIATION OF THE EFFECTIVE TAX COST				
Pre-tax profit	**4,193,016**	3,843,959	**3,894,916**	3,501,704
Current taxes	**786,504**	730,682	**623,187**	560,273
Tax adjustments:				
Impact of non-deductible expenses	**9,061**	9,013	**8,201**	8,133
Impact of non-deductible costs	**18,273**	13,964	**15,570**	13,267
Tax paid on treasury bond interest – withholding tax	**16,717**	13,855	**-**	-
Revenue exempt from tax or not taxable	**(3,065)**	(6,019)	**(3,065)**	(6,019)
Amortisation of deferred cost	**(4,563)**	(3,880)	**(4,563)**	(3,880)
Tax benefits	**(91,246)**	(82,937)	**(37,751)**	(38,600)
Tax cost	**731,680**	674,678	**601,578**	533,174

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

MZN

	Group		Bank	
	2013	2012	2013	2012
Net income	**3,424,570,207**	3,137,747,755	**3,302,890,000**	2,978,404,000
Number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
Earnings per share	**76.10**	69.73	**73.40**	66.19

14. CASH AND DEPOSITS AT BANCO DE MOÇAMBIQUE

Thousand MZN

	Group		Bank	
	2013	2012	2013	2012
Cash	**2,635,902**	2,445,729	**2,635,902**	2,445,729
Banco de Moçambique	**4,393,562**	4,267,193	**4,393,562**	4,267,193
	7,029,464	6,712,922	**7,029,464**	6,712,922

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	
	2013	2012	**2013**	2012
Domestic credit institutions	**166,883**	108,453	**166,883**	103,418
Credit institutions abroad	**2,491,119**	2,414,442	**2,491,119**	2,414,442
	2,658,002	2,522,895	**2,658,002**	2,517,860

The heading of Deposits in credit institutions in the country includes collectible values of 83,319 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 2013.

Breakdown of Deposits in other credit institutions abroad by currency:

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
USD	**2,311,943**	2,257,943	**2,311,943**	2,257,943
ZAR	**97,624**	87,563	**97,624**	87,563
DKK	**250**	1,677	**250**	1,677
GBP	**2,149**	11,319	**2,149**	11,319
JPY	**695**	1,073	**695**	1,073
NOK	**3,653**	3,514	**3,653**	3,514
SFK	**278**	3,651	**278**	3,651
CHF	**5,989**	1,135	**5,989**	1,135
EUR	**68,147**	45,130	**68,147**	45,130
AUD	**391**	1,437	**391**	1,437
	2,491,119	2,414,442	**2,491,119**	2,414,442

16. PLACEMENTS (TERM DEPOSITS) WITH FINANCIAL INSTITUTIONS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Investments in domestic credit institutions	**4,533,989**	7,528,743	**4,445,269**	7,471,467
Investments in credit institutions abroad	**2,786,594**	3,432,139	**2,786,594**	3,432,139
	7,320,583	10,960,882	**7,231,863**	10,903,606

17. LOANS TO CUSTOMERS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Asset-backed loans	**13,347,895**	12,848,944	**13,347,895**	12,848,944
Loans backed by other guarantees	**23,749,227**	17,267,840	**23,749,227**	17,267,840
Unsecured loans	**4,804,891**	3,437,448	**4,804,891**	3,437,448
Loans to the public sector	**4,283,066**	4,255,577	**4,283,066**	4,255,577
Loans under financial leasing	**3,030,084**	2,292,288	**3,030,084**	2,292,288
Loans taken in factoring operations	**734,352**	103,300	**734,352**	103,300
	49,949,515	40,205,397	**49,949,515**	40,205,397
Overdue loans – less than 90 days	**87,297**	66,517	**87,297**	66,517
Overdue loans – over 90 days	**853,196**	803,829	**853,196**	803,829
	50,890,008	41,075,743	**50,890,008**	41,075,743
Impairment for credit risks	**(2,969,375)**	(2,845,442)	**(2,969,375)**	(2,845,442)
	47,920,633	38,230,301	**47,920,633**	38,230,301

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
SHORT TERM				
Loans represented by discounted bills	**2,213,371**	347,506	**2,213,371**	347,506
Current account credit	**5,404,036**	4,825,025	**5,404,036**	4,825,025
Overdrafts	**2,571,622**	1,708,104	**2,571,622**	1,708,104
Loans	**3,666,813**	4,602,962	**3,666,813**	4,602,962
Mortgage loans	**2,449**	7,303	**2,449**	7,303
Principal under leases	**173,195**	132,399	**173,195**	132,399
Loans taken in factoring operations	**734,352**	103,300	**734,352**	103,300
	14,765,838	11,726,599	**14,765,838**	11,726,599
MEDIUM AND LONG TERM				
Loans represented by discounted bills				
Loans	**32,329,238**	26,326,212	**32,329,238**	26,326,212
Mortgage loans	**145,829**	718,141	**145,829**	718,141
Principal under leases	**2,708,610**	1,434,445	**2,708,610**	1,434,445
	35,183,677	28,478,798	**35,183,677**	28,478,798
Overdue loans – less than 90 days	**87,297**	66,517	**87,297**	66,517
Overdue loans – over 90 days	**853,196**	803,828	**853,196**	803,828
	940,493	870,346	**940,493**	870,346
Impairment for credit risks	**(2,969,375)**	(2,845,442)	**(2,969,375)**	(2,845,442)
	47,920,633	38,230,301	**47,920,633**	38,230,301

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Agriculture and forestry	**1,759,337**	1,662,702	**1,759,337**	1,662,702
Mining industries	**1,997,766**	799,613	**1,997,766**	799,613
Food, beverages and tobacco	**962,442**	1,291,358	**962,442**	1,291,358
Textiles	**5,637**	18,761	**5,637**	18,761
Paper, printing and publishing	**88,865**	45,575	**88,865**	45,575
Chemicals	**480,114**	169,000	**480,114**	169,000
Machinery and equipment	**1,309,341**	1,467,868	**1,309,341**	1,467,868
Electricity, water and gas	**2,900,216**	2,648,983	**2,900,216**	2,648,983
Construction	**6,071,634**	3,501,096	**6,071,634**	3,501,096
Trade	**6,837,994**	5,327,491	**6,837,994**	5,327,491
Restaurants and hotels	**1,151,107**	1,015,592	**1,151,107**	1,015,592
Transport and communications	**3,833,510**	2,941,737	**3,833,510**	2,941,737
Services	**5,385,478**	4,638,466	**5,385,478**	4,638,466
Consumer credit	**11,018,914**	9,571,462	**11,018,914**	9,571,462
Mortgage loans	**975,272**	1,036,802	**975,272**	1,036,802
Mozambican State	**5,134,231**	4,263,350	**5,134,231**	4,263,350
Other activities	**978,150**	675,887	**978,150**	675,887
	50,890,008	41,075,743	**50,890,008**	41,075,743
Impairment for credit risks	**(2,969,375)**	(2,845,442)	**(2,969,375)**	(2,845,442)
	47,920,633	38,230,301	**47,920,633**	38,230,301

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

	2013	2012
Agriculture and forestry	**19,571**	50,855
Food, beverages and tobacco	**93,760**	100,613
Textiles	**5,161**	-
Paper, printing and publishing	**10,874**	4,370
Chemicals	**21,239**	22,520
Machinery and equipment	**10,507**	10,527
Electricity, water and gas	**10,121**	-
Construction	**46,608**	19,599
Trade	**524,023**	372,661
Restaurants and hotels	**37,140**	-
Transport and communications	**30,413**	30,413
Services	**35,510**	94,429
Consumer credit	**117,321**	152,512
Mortgage loans	**15,411**	-
Other activities	**31,952**	576
	1,009,611	859,075

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

Thousand MZN

	2013	2012
Asset-backed loans	**99,180**	82,618
Loans backed by other guarantees	**599,987**	461,718
Unsecured loans	**148,394**	211,884
Loans to the public sector	**28**	100
Loans under financial leasing	**92,904**	90,713
Loans taken in factoring operations	**-**	23,313
	940,493	870,346

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

Thousand MZN

	2013	2012
Agriculture and forestry	**23,557**	27,633
Mining industries	**269**	26
Food, beverages and tobacco	**28,011**	1,220
Textiles	**275**	1,567
Paper, printing and publishing	**1,075**	1,083
Chemicals	**4**	1,675
Machinery and equipment	**129**	34,337
Construction	**47,659**	48,067
Trade	**77,718**	113,162
Restaurants and hotels	**10,279**	9,300
Transport and communications	**37,257**	42,370
Services	**57,566**	55,377
Consumer credit	**639,175**	526,372
Mortgage loans	**5,237**	4,999
Mozambican State	**28**	-
Other activities	**12,254**	3,158
	940,493	870,346

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

Thousand MZN

	Group		Bank	
	2013	2012	2013	2012
Balance as at 1 January	**2,845,442**	2,603,348	**2,845,442**	2,603,348
Net allocation for the year	**507,606**	528,653	**507,606**	528,653
Transfers	**-**	-	**-**	-
Use of impairment	**(387,285)**	(315,467)	**(387,285)**	(315,467)
Exchange rate differences	**3,612**	28,908	**3,612**	28,908
Balance as at 31 December	**2,969,375**	2,845,442	**2,969,375**	2,845,442

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

Thousand MZN

	Default categories			
	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	117,865
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 table below presents the breakdown of impairment for credit risks, by default category, as at 31 December 2012:

Thousand MZN

	Default categories			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	87,324	164,008	407,130	658,462
Existing impairment	50,476	92,296	336,252	479,024
Unsecured overdue loans	38,257	50,569	123,058	211,884
Existing impairment	22,028	34,160	98,475	154,663
Total overdue loans	125,581	214,577	530,188	870,346
Total impairment for overdue loans	72,504	126,456	434,727	633,687
Total impairment for outstanding loans				2,211,755
Total impairment for credit risks				2,845,442

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

Thousand MZN

	2013	2012
Agriculture and forestry	**150,453**	150,339
Mining industries	**40,094**	16,008
Food, beverages and tobacco	**98,733**	88,001
Textiles	**329**	11,850
Paper, printing and publishing	**8,300**	6,569
Chemicals	**9,618**	4,506
Machinery and equipment	**30,053**	45,523
Electricity, water and gas	**66,347**	52,602
Construction	**209,878**	152,529
Trade	**309,687**	365,529
Restaurants and hotels	**32,783**	30,592
Transport and communications	**143,972**	144,547
Services	**196,472**	202,595
Consumer credit	**1,469,385**	1,419,080
Mortgage loans	**74,294**	54,557
Mozambican State	**101,604**	-
Other activities	**27,373**	100,615
	2,969,375	2,845,442

The impairment by type of credit is analysed as follows:

Thousand MZN

	2013	2012
Asset-backed loans	**550,565**	534,705
Loans backed by other guarantees	**1,859,010**	1,687,363
Unsecured loans	**249,962**	290,892
Loans to the public sector	**84,585**	84,664
Loans under financial leasing	**210,636**	234,290
Loans taken in factoring operations	**14,617**	13,528
	2,969,375	**2,845,442**

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

Thousand MZN

	2013	2012
Agriculture and forestry	**2,957**	405
Mining industries	**5**	-
Food, beverages and tobacco	**8**	210
Textiles	**6,514**	-
Paper, printing and publishing	**314**	-
Machines and equipment	**2,879**	559
Electricity, water and gas	**-**	38
Construction	**2,634**	4,765
Trade	**35,504**	2,596
Restaurants and hotels	**1,957**	13
Transport and communications	**3,108**	5,013
Services	**21,736**	3,640
Consumer credit	**299,677**	272,050
Mortgage loans	**199**	12,804
Other activities	**9,793**	13,374
	387,285	**315,467**

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

Thousand MZN

	2013	2012
Loans backed by other guarantees	**283,435**	174,153
Unsecured loans	**103,850**	141,314
	387,285	**315,467**

The recovery of annulled loans and interest during the year or in previous years, carried out during 2013, presented by type of credit, is as follows:

Thousand MZN

	2013	2012
Loans backed by other guarantees	**36,763**	51,887
Unsecured loans	**24,662**	12,044
	61,425	**63,931**

18. SECURITIES AVAILABLE FOR SALE

The heading of Securities available for sale is analysed as follows:

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Bonds and other fixed yield securities				
Issued by public entities	**16,271,545**	9,129,847	**14,827,126**	7,670,278
Issued by other entities	**-**	23,415	**-**	-
	16,271,545	9,153,262	**14,827,126**	7,670,278
Shares and other variable income securities	**44,484**	46,501	**30,619**	30,619
Impairment of shares and other variable income securities	**(7,098)**	(7,098)	**(7,098)**	(7,098)
	16,308,931	9,192,665	**14,850,647**	7,693,799

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

The movements of impairment of the portfolio of Securities available for sale are analysed as follows:

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Balance as at 1 January	**7,098**	7,098	**7,098**	7,098
Balance as at 31 December	**7,098**	7,098	**7,098**	7,098

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
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 2013, the equity of the subsidiary amounted to 1,566,875 thousand meticais.

As at 31 December 2013, 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 number 08/GBM/2007, the Bank consolidates through the equity method.

As at 31 December 2013, the Group's percentage holding in the associates is demonstrated as follows:

Thousand MZN

	Head office	Share capital	Economic activity	Effective Holding (%)		Book value		Equity accounted earnings	
				Dec. 13	Dec. 12	**Dec. 13**	Dec. 12	**Dec. 13**	Dec. 12
ASSOCIATE									
Constellation, S.A.	Maputo	1,053,500	Management Real estate	**17.98**	17.98	**250,208**	235,498	**-**	24,798
Beira Nave	Beira	2,850	Shipyards	**20.54**	20.54	**17,049**	17,049	**-**	5,881
						267,258	252,547	-	30,679

20. OTHER TANGIBLE ASSETS

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Real estate properties	**1,269,987**	1,329,247	**592,201**	534,096
Works in rented buildings	**619,192**	564,021	**619,192**	564,021
Equipment				
Furniture	**253,685**	242,067	**247,878**	236,299
Machinery	**141,559**	132,642	**138,169**	129,310
IT equipment	**1,240,577**	1,197,534	**1,228,352**	1,184,655
Interior premises	**515,474**	466,008	**512,341**	464,819
Vehicles	**354,495**	318,661	**319,561**	288,125
Security equipment	**219,250**	196,275	**219,250**	196,276
Other tangible assets	**47,343**	45,812	**40,461**	39,022
Fixed assets in progress	**2,288,807**	1,583,446	**2,288,806**	1,583,443
	6,950,369	6,075,713	**6,206,211**	5,220,066
Accumulated depreciation	**(2,427,467)**	(2,151,755)	**(2,251,836)**	(1,965,659)
	4,522,902	3,923,958	**3,954,375**	3,254,407

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

Thousand MZN

	Balance as at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as 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
Machinery	132,642	8,917	-	-	141,559
IT equipment	1,197,534	25,006	(6,855)	24,892	1,240,577
Interior premises	466,008	26,565	(58)	22,959	515,474
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)
Machinery	(94,039)	(10,882)	-	-	(104,921)
IT equipment	(858,282)	(133,641)	5,558	-	(986,365)
Interior premises	(232,413)	(36,244)	58	-	(268,599)
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 2013, for the Bank, are analysed as follows:

Thousand MZN

	Balance as at 1 January 2013	Acquisitions / Allocations	Disposals / Write-offs	Transfers	Balance as 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
Machinery	129,310	8,859	-	-	138,169
IT equipment	1,184,655	24,951	(6,146)	24,892	1,228,352
Interior premises	464,819	24,621	(58)	22,959	512,341
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)
Machinery	(91,185)	(10,723)	-	-	(101,908)
IT equipment	(851,668)	(131,942)	5,071	-	(978,539)
Interior premises	(230,532)	(35,200)	58	-	(265,674)
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)

21. GOODWILL AND OTHER INTANGIBLE ASSETS

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
INTANGIBLE ASSETS				
Software	**513,624**	461,761	**458,655**	416,928
Fixed assets in progress	**8,412**	1,912	**8,412**	1,912
	522,036	463,673	**467,067**	418,840
Accumulated Amortisation	**(370,406)**	(331,199)	**(335,996)**	(302,803)
	151,630	132,474	**131,071**	116,037
CONSOLIDATION AND REVALUATION DIFFERENCES (GOODWILL)				
Seguradora Internacional de Moçambique, S.A.	**122,313**	122,313	**-**	-
	273,943	254,787	**131,071**	116,037

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

Thousand MZN

	Balance as at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as 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 AMORTISATION					
Software	(331,199)	(39,207)	-	-	(370,406)
Net value	254,787	19,156	-	-	273,943

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

Thousand MZN

	Balance as at 1 January 2013	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as 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 AMORTISTION					
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 2013, the Group valued the financial holding for which goodwill is recorded in the assets, having considered, among others, the following factors:

(i) an 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 2013 of the Bank's 89.914% stake in Seguradora Internacional de Moçambique, SARL (SIM), subject to the annual goodwill impairment test, considered the historical economic and financial information of SIM, as well as its projection for 2013 and the Budget for the period of 2014 to 2018, 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 2013.

22. CURRENT TAX ASSETS AND LIABILITIES

Thousand MZN

	Group			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
IRPC recoverable	165,561	-	165,561	-
IRPC payable	-	273,918	-	-
	165,561	273,918	165,561	-

Thousand MZN

	Bank			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
IRPC recoverable	141,619	-	141,619	-
IRPC payable	-	221,059	-	-
	141,619	221,059	141,619	-

23. OTHER ASSETS

The heading of Impairment for other assets includes, as at 31 December 2013, for the Group and for the Bank, the value of 118,853 thousand meticais (2012: 125,023 thousand meticais) relative to the impairment for Investments due to recovered loans.

Thousand MZN

	Group		Bank	
	2013	2012	2013	2012
Debtors	34,418	43,587	14,186	25,021
Investments due to recovered loans	628,125	260,463	628,125	260,463
Other income receivable	17,356	26,199	64,363	92,720
Prepayments	23,981	13,676	23,652	13,590
Balances receivable of the insurance activity	153,589	99,268	-	-
Miscellaneous accounts	519,417	443,499	518,851	443,478
Reinsurance provisions assigned	111,263	124,280	-	-
	1,488,149	1,010,972	1,249,177	835,272
Impairment for other assets	(159,355)	(164,150)	(129,953)	(140,988)
	1,328,794	846,822	1,119,224	694,284

As at 31 December 2013, the heading of Miscellaneous accounts includes the value of 461,870 thousand meticais (31 December 2012: 441,562 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	
	2013	2012	**2013**	2012
Balance as at 1 January	**164,150**	161,187	**140,988**	140,207
Allocation for the year	**6,240**	2,182	**-**	-
Reversal for the year	**(4,948)**	-	**(4,948)**	-
Uses	**(6,170)**	-	**(6,170)**	-
Exchange rate fluctuation	**83**	781	**83**	781
Balance as at 31 December	**159,355**	164,150	**129,953**	140,988

24. DEPOSITS OF OTHER CREDIT INSTITUTIONS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Demand deposits of other credit institutions	**67,440**	64,781	**67,440**	64,781
Term deposits of credit institutions	**1,405,538**	98,346	**1,405,538**	98,346
	1,472,978	163,127	**1,472,978**	163,127
TERM DEPOSITS OF CREDIT INSTITUTIONS				
Deposits of domestic credit institutions	**461,101**	3,507	**461,101**	3,507
Deposits of credit institutions abroad	**944,437**	94,839	**944,437**	94,839
	1,405,538	98,346	**1,405,538**	98,346

25. CUSTOMER DEPOSITS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Demand deposits	**36,408,484**	30,595,316	**36,439,829**	30,630,662
Term deposits	**27,691,765**	22,798,050	**29,683,884**	23,589,819
Other funds	**473,498**	524,835	**473,498**	1,101,001
	64,573,747	53,918,201	**66,597,211**	55,321,482

26. DEBT SECURITIES ISSUED

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
DEBENTURE LOANS				
BIM bonds 2003-2013	**-**	-	**-**	17,680
BIM bonds 2010-2015	**1,026,201**	1,029,762	**1,026,201**	1,029,762
	1,026,201	1,029,762	**1,026,201**	1,047,442

Thousand MZN

Description of the issue	Date of issue	Redemption date	Interest rate %	Nominal value	Repayments	Book Value 2013
BIM bonds 2010-2015	15/10/2010	15/10/2015	12.25% (*)	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%.

27. PROVISIONS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Provisions for indirect credit	**303,801**	286,486	**303,801**	286,486
Provisions for general banking risks	**43,680**	34,214	**43,680**	34,214
Provisions for other risks and costs	**19,239**	24,139	**19,239**	24,139
Technical provision of the insurance activity	**3,067,623**	2,917,181	**-**	-
	3,434,343	3,262,020	**366,720**	344,839

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Balance as at 1 January	**286,486**	221,556	**286,486**	221,556
Allocation for the year	**155,372**	132,311	**155,372**	132,311
Reversal for the year	**(138,831)**	(77,673)	**(138,831)**	(77,673)
Exchange rate differences	**774**	10,292	**774**	10,292
Balance as at 31 December	**303,801**	286,486	**303,801**	286,486

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Balance as at 1 January	**34,214**	15,665	**34,214**	15,665
Allocation for the year	**10,466**	17,733	**10,466**	17,733
Exchange rate differences	**110**	816	**110**	816
Uses for the year	**(11,110)**	-	**(1,110)**	-
Balance as at 31 December	**43,680**	34,214	**43,680**	34,214

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	
	2013	2012	**2013**	2012
Balance as at 1 January	**24,139**	73,446	**24,139**	73,446
Allocation for the year	**4,800**	-	**4,800**	-
Reversal for the year	**(9,700)**	(35,420)	**(9,700)**	(35,420)
Uses for the year	**-**	(13,887)	**-**	(13,887)
Balance as at 31 December	**19,239**	24,139	**19,239**	24,139

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 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 494,021 thousand meticais, is recorded through profit or loss under the heading of Other net operating income (see Note 6).

28. SUBORDINATED LIABILITIES

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
SUBORDINATED LOANS				
BIM bonds 2003 – 2013	**-**	-	**-**	85,416
BIM bonds 2006 – 2016	**-**	-	**175,611**	175,320
	-	-	**175,611**	260,736

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.

29. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2013, the deferred tax assets and liabilities were generated by temporary differences of the following nature:

Thousand MZN

	Group			
	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Tangible assets	**35,193**	**11,963**	25,641	11,963
Financial assets available for sale	**-**	**1,232**	-	1,816
Other	**2,507**	**5,825**	2,507	5,826
Deferred tax assets/liabilities	**37,700**	**19,020**	28,148	19,605
	18,680		8,543	

Thousand MZN

	Bank			
	2013		2012	
	Assets	**Liabilities**	**Assets**	Liabilities
Tangible assets	**35,193**	**-**	25,641	-
Deferred tax assets	**35,193**	**-**	25,641	-

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

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Balance as at 1 January	**8,543**	32	**25,641**	15,767
Allocation for the year	**9,552**	9,670	**9,552**	9,874
Movement under reserves	**-**	(1,159)	**-**	-
Other movements	**585**	-	**-**	-
	18,680	8,543	**35,193**	25,641

30. OTHER LIABILITIES

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Suppliers	**49,395**	89,645	**7,109**	47,629
Miscellaneous creditors	**243,466**	83,266	**102,312**	56,395
VAT payable	**2,438**	3,884	**2,438**	3,884
Tax withholdings	**100,328**	70,141	**87,708**	63,602
Social Security contributions	**5,648**	5,397	**5,648**	5,397
Costs payable	**297,196**	201,180	**290,010**	193,946
Staff costs	**469,886**	436,703	**432,095**	404,943
Deferred income	**171,681**	132,158	**171,681**	132,158
Consigned funds	**41,497**	47,158	**41,497**	47,158
Miscellaneous accounts	**192,368**	567,163	**189,939**	564,972
	1,573,903	1,636,695	**1,330,437**	1,520,084

31. 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 2013, the shareholder structure is presented as follows:

Thousand MZN

	Dec 13 Nr. Shares	% holding capital	Dec. 12	% holding capital
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 Community Development)	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%

32. RESERVES AND RETAINED EARNINGS

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Legal reserve	**2,324,992**	1,878,629	**2,324,992**	1,878,629
Other reserves and retained earnings	**5,109,314**	3,459,924	**4,110,140**	2,631,881
Net income for the year	**3,424,570**	3,137,748	**3,302,890**	2,978,404
	10,858,876	8,476,301	**9,738,022**	7,488,914

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 2012, the Bank allocated the value of 446,363 thousand meticais to the legal reserve in 2013.

33. DIVIDENDS

Pursuant to the deliberation of the Ordinary General Meeting held on 27 March 2013, the Board of Directors decided to distribute 35% of the Net Income recorded as at 31 December 2012, after the constitution of the Legal Reserve, to the value of 1,041,512 thousand meticais.

34. GUARANTEES AND OTHER COMMITMENTS

The off-balance sheet values are analysed as follows:

Thousand MZN

	Group		Bank	
	2013	2012	**2013**	2012
Guarantees provided				
Personal guarantees	**8,841,084**	6,617,421	**8,841,084**	6,617,421
Asset-backed guarantees	**364,499**	1,204,536	**364,499**	1,204,536
Guarantees and sureties received				
Personal guarantees	**155,124,662**	137,932,089	**155,124,662**	137,932,089
Asset-backed guarantees	**54,167,481**	41,092,471	**54,167,481**	41,092,471
Commitments to third parties	**9,125,906**	7,039,586	**9,125,906**	7,039,586
Spot foreign exchange transactions:				
Purchases	**922,711**	365,207	**922,711**	365,207
Sales	**873,107**	338,591	**873,107**	338,591
Forward foreign exchange transactions:				
Purchases	**-**	1,002	**-**	1,002
Sales	**-**	1,010	**-**	1,010

35. 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	2013 Assets Funds avail. of CIs	2013 Assets Investments of CIs	2013 Assets Other Assets	2013 Off Balance Asset-backed guar. prov.	2012 Assets Funds avail. of CIs	2012 Assets Investments of CIs	2012 Assets Other Assets	2012 Off Balance Asset-backed guar. prov.
Banco Comercial Português S.A.	33,494	1,485,695	-	790	32,582	1,437,630	-	841,241
Millennium bcp Bank & Trust (Cayman)	1,429	4,214	-	4,211	32,115	4,170	-	4,165
Millennium BCP Partic. SGPS Lda.	-	-	-	-	-	-	-	-
Seguradora Internac. de Moçambique, S.A.	-	-	47,007	-	-	-	66,521	-
	34,923	1,489,909	47,007	5,001	64,697	1,441,800	66,521	845,406

Thousand MZN

Balance Sheet	2013 Liabilities Deposits of CIs	2013 Liabilities Customer Deposits	2013 Liabilities Other Liabilities	2013 Liabilities Subordinated Liabilities	2012 Liabilities Deposits of CIs	2012 Liabilities Customer Deposits	2012 Liabilities Other Liabilities	2012 Liabilities Subordinated Liabilities
Banco Comercial Português S.A.	9,077	-	100,838	-	8,595	-	88,127	-
Millennium bcp Bank & Trust (Cayman)	-	-	-	-	-	-	-	-
Millennium BCP Partic. S.G.P.S., Lda.	-	29,741	-	-	-	27,175	-	-
Seguradora Internac. de Moçambique, S.A.	-	2,024,072	-	175,611	-	1,403,281	17,681	260,736
	9,077	2,053,813	100,838	175,611	8,595	1,430,456	17,681	260,736

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	2013 Income Interest and similar Income	2013 Income Earn. services and commissions	2013 Income Other net op. income	2012 Income Interest and similar Income	2012 Income Earn. services and commissions	2012 Income Other net op. income
Banco Comercial Português S.A.	2,036	-	-	5,378	-	-
Millennium bcp Bank & Trust (Cayman)	39	-	-	56	-	-
Millennium BCP Partic. SGPS Lda.	-	-	-	-	-	-
Seguradora Internac.de Moçambique, S.A.	-	43,504	43,356	-	28,320	49,746
	2,075	43,504	43,356	5,434	28,320	49,746

Thousand MZN

Income Statement	2013 Costs Interest and similar costs	2013 Costs Earn. Services and commissions	2013 Costs Staff costs	2013 Costs Other admin. costs	2012 Costs Interest and similar costs	2012 Costs Staff costs	2012 Costs Other admin. costs
Banco Comercial Português S.A.	-	790	-	387,343	-	-	362,825
Millennium bcp Bank & Trust (Cayman)	-	-	-	-	-	-	-
Millennium BCP Partic. S.G.P.S., Lda.	3,204	-	-	-	3,495	-	-
Seguradora Internac.de Moçambique, S.A.	61,229	-	52,811	132,362	173,144	47,952	144,490
	64,433	790	52,811	519,705	176,639	47,952	507,315

Loans to members of the Management and Supervisory Boards and their direct family, recorded as at 31 December 2013, reached 1,508 thousand meticais (2012: 816 thousand meticais). These loans were granted in accordance with the applicable legal and regulatory standards.

As at 31 December 2013, Deposits stood at 208,371 thousand meticais (2012: 125,888 thousand meticais).

36. 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	
	2013	2012	**2013**	2012
Available funds in cash	**2,635,902**	2,445,729	**2,635,902**	2,445,729
Available funds in domestic credit institutions	**166,883**	108,453	**166,883**	103,418
Available funds in credit institutions abroad	**2,491,119**	2,414,442	**2,491,119**	2,414,442
	5,293,904	4,968,624	**5,293,904**	4,963,589

37. 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 the estimation of the fair value of the financial assets and liabilities are presented below:

- 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 extremely short maturity of these financial instruments, their book value is a reasonable estimate of their 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 market rates in force for each type of financial instrument, hence their fair value is identical to their book value, which is recorded minus impairment losses.

- Customer deposits

Considering the short maturity of this type of instrument, the conditions of the present portfolio of these instruments are similar to those currently applied, hence their book value is a reasonable estimate of their 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.

38. OTHER EMPLOYEE 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.

(i) Financing

The insurance is reinforced every month through the Group's contributions, corresponding to 5.55% of the value of the wages of employees recruited up to 31 December 2011, which are stated as costs for the actual year.

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.

The Group expects to pay a total of 53,385,267.84 meticais in contributions to the pension fund in 2014.

Number of participants – Group	2013	2012
Assets	**1,997**	2,141
Retired former employees and pensioners	**496**	522

According to the policy described above, the Group's liabilities, as at 31 December 2013 and 2012, are analysed as follows:

Thousand MZN

	2013	2012
PROJECTED BENEFIT LIABILITIES		
Retired and pensioners	**(1,020,776)**	(1,021,648)
Current employees	**(831,401)**	(817,844)
	(1,852,177)	(1,839,492)
Value of the assets	**1,846,923**	1,840,541
Net assets/(liabilities) in the balance sheet	**(5,254)**	-
Negative accumulated actuarial (losses)/gains recognised under other comprehensive income	**(9,945)**	(1,930)

(ii) Net movement in defined retirement benefits

The table below presents the reconciliation between the opening balance and the closing balance relative to the net value of the defined retirement benefits and its components.

Thousand MZN

	Retirement pensions	Retirement pension supplement	Total	
	2013	2013	2013	2012
Balance as at 1 January	**1,021,648**	**817,844**	**1,839,492**	1,769,742
INCLUDED IN THE NET INCOME FOR THE YEAR				
Current service cost	**-**	**49,717**	**49,717**	46,604
Interest costs	**68,950**	**54,241**	**123,191**	210,552
Actuarial (gains) and losses	**3,475**	**(1,549)**	**1,926**	(27,954)
Benefits paid	**(73,297)**	**(88,852)**	**(162,149)**	(159,452)
Liabilities at the end of the year	**1,020,776**	**831,401**	**1,852,177**	1,839,492

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

(iii) Asset plan

The asset portfolio is composed of the following securities (in percentage):

	2013	2012
Ordinary shares	**0.50%**	0.50%
Bonds and other fixed yield securities	**47.70%**	40.30%
Real estate properties	**33.60%**	41.40%
Term deposits	**18.30%**	17.80%
Total	**100.00%**	**100.00%**

The strategy of the investment policy can be summarised as a diversification of assets with the mix illustrated above.

(iv) Liabilities of the defined retirement benefit plan

The main actuarial assumptions as at the closing date are indicated below (expressed in percentage):

	2013	2012
Normal retirement age:		
Men	**60**	60
Women	**55**	55
Wage growth	**5.75%**	5.85%
Growth of pensions	**3.50%**	3.00%
Rate of return of the fund	**7.50%**	7.00%
Discount rate	**7.50%**	7.00%
Mortality table	**PF 60/64**	PF 60/64

As at 31 December 2013, the weighted average duration of the retirement benefit plan is 21 years (2012: 22 years).

The cost recognised by the Group in the exercise relative to the attribution of benefits is analysed as follows:

Thousand MZN

	2013	2012
Current service cost	**49,717**	46,604
Net interest cost/(income) in the liability coverage balance	**(1,712)**	(2,655)
Cost for the year	**48,005**	**43,949**

(v) Sensitivity analysis

The analysis of sensitivity to variation of the assumptions, with reference to 31 December 2013, is as follows:

Thousand MZN

31/Dec./13	Retirement benefit plan	
	Increase	Decrease
Discount rate (0.25%)	(20,263)	21,080
Future wage growth (0.25%)	20,512	(19,810)
Future growth of the pension fund (0.25%)	2,059	(2,059)

However, the analysis does not take into account the entire distribution of the expected cash flow of the plan, and merely provides an approximation of the sensitivity of the assumptions presented in the table above.

OTHER EMPLOYEE BENEFITS – BANK

(i) Financing

Number of participants – Bank	2013	2012
Assets	**1,877**	2,001
Retired former employees and pensioners	**496**	522

According to the policy described above, the Bank's liabilities, as at 31 December 2013 and 2012, are analysed as follows:

Thousand MZN

	2013	2012
Projected benefit liabilities		
Retired and pensioners	**(1,020,776)**	(1,021,648)
Current employees	**(789,325)**	(780,217)
	(1,810,101)	(1,801,865)
Value of the assets	**1,803,431**	1,801,865
Net assets/(liabilities) in the balance sheet	**(6,670)**	-
Negative accumulated actuarial (losses)/gains recognised under other comprehensive income	**(11,288)**	(2,979)

(ii) Net movement in defined retirement benefits

The table below presents the reconciliation between the opening balance and the closing balance relative to the net value of the defined retirement benefits and its components.

Thousand MZN

	Retirement pensions	Retirement pension supplement	Total	
	2013	2013	2013	2012
Balance as at 1 January	**1,021,648**	**780,217**	**1,801,865**	1,739,081
INCLUDED IN THE NET INCOME FOR THE YEAR				
Current service cost	**-**	**45,808**	**45,808**	42,643
Interest costs	**68,950**	**51,470**	**120,420**	206,645
Actuarial (gains) and losses	**3,475**	**682**	**4,157**	(27,292)
Benefits paid	**(73,297)**	**(88,852)**	**(162,149)**	(159,212)
Liabilities at the end of the year	**1,020,776**	**789,325**	**1,810,101**	1,801,865

The evolution of the value of the policies underlying the Pension Plan for the years ended on 31 December 2013 and 2012 may be analysed as follows:

Thousand MZN

	2013	2012
Balance as at 1 January	**1,801,865**	1,739,405
Financial losses	**(4,152)**	(30,271)
Millennium bim contributions	**45,808**	42,643
Benefits paid by the fund	**(162,149)**	(159,212)
Expected income	**122,059**	209,300
Balance as at 31 December	**1,803,431**	1,801,865

(iii) Asset plan

The asset portfolio is composed of the following securities (in percentage):

	2013	2012
Ordinary shares	**0.50%**	0.50%
Bonds and other fixed yield securities	**47.70%**	40.30%
Real estate properties	**33.60%**	41.40%
Term deposits	**18.30%**	17.80%
Total	**100.00%**	100.00%

The strategy of the investment policy can be summarised as a diversification of assets with the mix illustrated above.

(iv) Liabilities of the defined retirement benefit plan

The main actuarial assumptions as at the closing date are indicated below:

	2013	2012
NORMAL RETIREMENT AGE:		
Men	**60**	60
Women	**55**	55
Wage growth	**5.75%**	5.85%
Growth of pensions	**3.50%**	3.00%
Rate of return of the fund	**7.50%**	7.00%
Discount rate	**7.50%**	7.00%
Mortality table	**PF 60/64**	PF 60/64

As at 31 December 2013, the weighted average duration of the retirement benefit plan is 21 years (2012: 22 years).

The cost recognised by the Bank in the exercise relative to the attribution of benefits is analysed as follows:

Thousand MZN

	Total	
	2013	2012
Current service cost	**45,808**	42,643
Net interest cost/(income) in the liability coverage balance	**(1,639)**	(2,655)
Cost for the year	**44,169**	39,988

(v) Sensitivity analysis

The analysis of sensitivity to variation of the assumptions, with reference to 31 December 2013, is as follows:

Thousand MZN

31 December 2013	Retirement benefit plan	
	Increase	Decrease
Future wage growth (0.25%)	20,512	(19,810)
Future growth of the pension fund (0.25%)	2,059	(2,059)

However, the analysis does not take into account the entire distribution of the expected cash flow of the plan, and merely provides an approximation of the sensitivity of the assumptions presented in the table above.

39. 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 2013

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 next was prepared based on the financial statements drawn up in accordance with the IFRS.

Thousand MZN

31 December 2013	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net Interest Income	3,891,979	936,959	229,315	-	5,058,253
Earnings from services and commissions	685,770	1,084,660	(45,548)	-	1,724,882
Earnings from financial transactions	447,038	365,757	26,784	-	839,579
Other net operating income	345,063	282,325	748,579	(409,254)	966,713
Total operating income	5,369,850	2,669,701	959,129	(409,254)	8,589,427
Staff costs	1,070,976	621,376	141,006	(52,811)	1,780,547
Other administrative costs	1,124,753	518,037	76,364	(132,362)	1,586,792
Depreciation/amortisation for the year	256,195	89,959	15,181	12,580	373,914
Total operating costs	2,451,925	1,229,371	232,551	(172,594)	3,741,253
Loan impairment	178,472	267,708	-	-	446,181
Other provisions	6,896	10,263	191,818	-	208,977
Pre-tax profit	2,732,557	1,162,359	534,760	(236,660)	4,193,016
Taxes	415,347	176,678	139,028	-	731,053
Non-controlling interests	-	-	-	37,393	37,393
Net income for the year attributable to Shareholders	2,317,210	985,680	395,732	(274,053)	3,424,570

Thousand MZN

31 December 2013	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Assets					
Loans to customers	19,259,147	28,661,486	-	-	47,920,633
Liabilities					
Customer deposits	43,858,565	20,715,183	-	-	64,573,747

Thousand MZN

31 December 2012	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net Interest Income	2,506,979	2,079,968	298,470	-	4,885,418
Earnings from services and commissions	561,230	882,625	(25,807)	-	1,418,048
Earnings from financial transactions	558,966	457,336	61,104	-	1,077,407
Other net operating income	226,570	185,375	560,882	(399,694)	573,133
Total operating income	3,853,745	3,605,305	894,650	(399,694)	7,954,006
Staff costs	1,022,562	570,699	133,161	(47,952)	1,678,470
Other administrative costs	1,073,139	487,924	70,162	(144,491)	1,486,735
Depreciation/amortisation for the year	226,816	77,185	14,746	14,940	333,687
Total operating costs	2,322,518	1,135,808	218,069	(177,502)	3,498,892
Equity accounted earnings	-	-	30,679	-	30,679
Loan impairment	185,889	278,833	-	-	464,722
Other provisions	14,325	22,626	142,091	-	179,042
Pre-tax profit	1,331,013	2,168,038	534,490	(222,191)	3,842,029
Taxes	199,070	324,231	141,707	-	665,008
Non-controlling interests	-	-	-	41,203	41,203
Net income for the year attributable to Shareholders	1,131,943	1,843,807	392,783	(263,394)	3,135,818

Thousand MZN

31 December 2012	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Assets					
Loans to customers	14,821,139	23,409,162	-	-	38,230,301
Liabilities					
Customer deposits	34,156,831	19,761,370	-	-	53,918,201

40. 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 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
ASSETS							
Cash and deposits at Banco de Moçambique	7,029,464	-	-	-	-	-	7,029,464
Deposits in other credit institutions	2,658,002	-	-	-	-	-	2,658,002
Investments in credit institutions	5,067,179	2,163,385	80,211	-	-	9,808	7,320,583
Loans to customers	14,472,385	6,303,051	26,956,767	113,464	1,493,101	(1,418,135)	47,920,633
Financial assets available for sale	1,725,370	2,616,764	12,245,069	-	-	(278,272)	16,308,931
Other assets	-	-	-	-	-	6,648,381	6,648,381
Total assets	**30,952,400**	**11,083,200**	**39,282,047**	**113,464**	**1,493,101**	**4,961,782**	**87,885,994**
LIABILITIES							
Deposits of other credit institutions	1,472,978	-	-	-	-	-	1,472,978
Customer deposits	42,224,035	6,416,668	15,446,143	-	-	486,901	64,573,747
Debt securities issued	1,000,000	-	-	-	-	26,201	1,026,201
Other liabilities	-	-	-	-	-	5,301,184	5,301,184
Total liabilities	**44,697,013**	**6,416,668**	**15,446,143**	**-**	**-**	**5,814,286**	**72,374,110**
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**	**-**	**-**

31 December 2012	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	33,932,034	6,441,229	27,506,411	182,433	1,046,111	4,035,493	73,143,711
Total liabilities and equity	36,844,559	4,508,672	13,377,219	16	-	18,413,245	73,143,711
Interest rate risk gaps	(2,912,525)	1,932,557	14,129,192	182,417	1,046,111	(14,377,752)	-
Accumulated interest rate risk gap	(2,912,525)	(979,968)	13,149,224	13,331,641	14,377,752	-	-

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
ASSETS							
Cash and deposits at Banco de Moçambique	7,029,464	-	-	-	-	-	7,029,464
Deposits in other credit institutions	2,658,002	-	-	-	-	-	2,658,002
Investments in credit institutions	5,067,179	2,155,935	4,211	-	-	4,538	7,231,863
Loans to customers	14,472,385	6,303,051	26,956,767	113,464	1,493,101	(1,418,135)	47,920,633
Financial assets available for sale	1,550,000	1,987,667	11,638,267	-	-	(325,287)	14,850,647
Other assets	-	-	-	-	-	5,737,630	5,737,630
Total assets	**30,777,030**	**10,446,653**	**38,599,245**	**113,464**	**1,493,101**	**3,998,746**	**85,428,239**
LIABILITIES							
Deposits of other credit institutions	1,472,978	-	-	-	-	-	1,472,978
Customer deposits	43,975,592	6,452,640	15,678,360	-	2	490,617	66,597,211
Debt securities issued	1,000,000	-	-	-	-	26,201	1,026,201
Subordinated liabilities	-	-	-	175,000	-	611	175,611
Other liabilities	-	-	-	-	-	1,918,216	1,918,216
Total liabilities	**46,448,570**	**6,452,640**	**15,678,360**	**175,000**	**2**	**2,435,645**	**71,190,217**
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**	**-**	**-**

31 December 2012	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	33,861,608	5,557,247	26,951,698	182,433	1,046,111	3,047,527	70,646,624
Total liabilities and equity	37,247,925	4,735,318	14,426,738	16	-	14,236,627	70,646,624
Interest rate risk gaps	(3,386,317)	821,929	12,524,960	182,417	1,046,111	(11,189,100)	-
Accumulated interest rate risk gap	(3,386,317)	(2,564,388)	9,960,572	10,142,989	11,189,100	-	-

(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					
	31.12.2013			31.12.2012		
	Dollars (USD)	Other foreign currency	Total	Dollars (USD)	Other foreign currency	Total
ASSETS						
Cash and deposits at Banco de Moçambique	324,591	62,295	386,886	374,519	175,352	549,871
Available funds in other credit institutions	2,317,314	179,176	2,496,490	2,264,238	161,554	2,425,792
Investments in credit institutions	2,298,090	488,504	2,786,594	2,878,659	849,851	3,728,510
Loans to customers	10,541,293	934,525	11,475,817	8,742,269	895,120	9,637,388
Other assets	404,362	455	404,817	18,782	1,711	20,493
	15,885,650	1,664,955	17,550,605	14,278,467	2,083,587	16,362,053
LIABILITIES						
Deposits of other credit institutions	948,190	49,579	997,769	5,217	100,557	105,774
Customer deposits	13,196,798	1,203,198	14,399,996	13,098,731	1,294,008	14,392,740
Provisions	311,181	32,768	343,949	311,684	93,398	405,082
Other liabilities	178,760	104,343	283,103	593,134	428,846	1,021,980
	14,634,929	1,389,888	16,024,816	14,008,766	1,916,810	15,925,576
Overall operating position	1,250,721	275,067	1,525,788	269,701	166,777	436,477

Thousand MZN

	Bank					
	31.12.2013			31.12.2012		
	Dollars (USD)	Other foreign currency	Total	Dollars (USD)	Other foreign currency	Total
ASSETS						
Cash and deposits at Banco de Moçambique	324,591	62,295	386,886	374,519	175,352	549,871
Available funds in other credit institutions	2,317,314	179,176	2,496,490	2,259,722	156,499	2,416,221
Investments in credit institutions	2,298,090	488,504	2,786,594	2,630,839	801,533	3,432,372
Loans to customers	10,541,293	934,525	11,475,817	8,742,269	895,120	9,637,389
Other assets	385,297	222	385,518	5,301	270	5,571
	15,866,584	1,664,721	17,531,306	14,012,650	2,028,774	16,041,424
LIABILITIES						
Deposits of other credit institutions	948,190	49,579	997,769	5,217	100,557	105,773
Customer deposits	13,506,590	1,265,869	14,772,459	12,851,091	1,245,815	14,096,906
Provisions	152,054	13,649	165,703	61,001	9,034	70,035
Other liabilities	12,454	90,128	102,582	524,361	387,528	911,890
	14,619,287	1,419,226	16,038,513	13,441,670	1,742,934	15,184,604
Overall operating position	1,247,297	245,495	1,492,792	570,980	285,840	856,820

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 2013	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	7,029,464	-	-	-	-
Deposits in other credit institutions	2,522,895	-	-	-	-
Investments in credit institutions	5,145,340	2,171,008	4,236	-	-
Loans to customers	6,765,289	3,135,942	4,864,607	13,225,812	21,957,866
Financial assets available for sale	1,766,876	2,180,008	11,132,130	713,928	515,990
Total assets	**23,229,864**	**7,486,958**	**16,000,973**	**13,939,740**	**22,473,856**
LIABILITIES					
Deposits of other credit institutions	1,472,978	-	-	-	-
Customer deposits	42,741,206	6,416,668	15,415,871	2	-
Debt securities issued	26,201	-	-	1,000,000	-
Total liabilities	**44,240,385**	**6,416,668**	**15,415,871**	**1,000,002**	**0**
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**

31 December 2012	Group				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	28,162,676	5,112,570	6,479,860	10,782,987	19,056,669
Total liabilities	35,913,527	4,576,659	13,620,889	16	1,000,000
Liquidity gaps	(7,750,851)	535,911	(7,141,029)	10,782,971	18,056,669
Accumulated liquidity gap	(7,750,851)	(7,214,940)	(14,355,969)	(3,572,998)	14,483,671

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
ASSETS					
Cash and deposits at Banco de Moçambique	7,029,464	-	-	-	-
Deposits in other credit institutions	2,658,002	-	-	-	-
Investments in credit institutions	5,056,620	2,171,008	4,236	-	-
Loans to customers	6,765,289	3,135,942	4,864,607	13,225,812	21,957,866
Financial assets available for sale	1,573,521	1,536,135	10,511,074	713,928	515,990
Total assets	23,082,896	6,843,085	15,379,917	13,939,740	22,473,856
LIABILITIES					
Deposits of other credit institutions	1,472,978	-	-	-	-
Customer deposits	44,466,210	6,482,911	15,648,088	2	-
Debt securities issued	26,201	-	-	1,000,000	-
Subordinated liabilities	-	-	611	175,000	-
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

31 December 2012	Bank				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	28,084,482	5,081,154	6,389,151	9,807,090	18,671,708
Total liabilities	36,317,485	4,825,780	14,474,507	16	1,175,000
Liquidity gaps	(8,233,003)	255,374	(8,085,356)	9,807,074	17,496,708
Accumulated liquidity gap	(8,233,003)	(7,977,629)	(16,062,985)	(6,255,911)	11,240,797

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.

OPERATING 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.

41. 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

31 December 2013	2013	2012
CORE OWN FUNDS		
TIER I CAPITAL		
Paid-up share capital	**4,500,000**	4,500,000
Reserves and retained earnings	**6,436,874**	4,510,946
Intangible assets	**(137,865)**	(116,037)
Total Tier I capital	**10,799,009**	8,894,909
TIER 2 CAPITAL		
Subordinated loans	**105,000**	157,000
Other	**(1,742)**	2,543
Total Tier 2 capital	**103,258**	159,543
Deduction to total own funds	**124,064**	63,620
Eligible own funds	**10,778,203**	8,990,832
RISK WEIGHTED ASSETS		
In the balance sheet	**45,969,212**	37,772,299
Off balance sheet	**4,315,860**	3,606,582
Ratio of adequacy of core own funds (Tier I)	**21.5%**	21.5%
Ratio of adequacy of own funds (Tier 2)	**0.2%**	0.4%
Solvency ratio	**21.4%**	21.7%

42. 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									
	Avail. funds in other credit institutions	Investments in credit institutions.	Loans to customers	Financial assets available for sale	Investments in subsidiaries	Other assets	2013 Total	2013 %	2012 Total	2012 %
Public sector	-	-	5,032,627	16,271,545	-	-	**21,304,172**	**28.1%**	13,308,379	21.5%
Financial institutions	2,658,002	7,320,583	-	992	-	-	**9,979,577**	**13.2%**	13,484,769	21.7%
Agriculture and forestry	-	-	1,608,884	-	-	-	**1,608,884**	**2.1%**	1,512,363	2.4%
Mining industries	-	-	1,957,672	-	-	-	**1,957,672**	**2.6%**	783,605	1.3%
Food, beverages and tobacco	-	-	863,709	12,873	-	-	**876,582**	**1.2%**	1,218,247	2.0%
Textiles	-	-	5,308	-	-	-	**5,308**	**0.0%**	6,911	0.0%
Paper, printing and publishing	-	-	80,565	-	-	-	**80,565**	**0.1%**	39,005	0.1%
Chemicals	-	-	470,496	-	-	-	**470,496**	**0.6%**	164,493	0.3%
Machinery and equipment	-	-	1,279,288	-	-	-	**1,279,288**	**1.7%**	1,422,345	2.3%
Electricity, water and gas	-	-	2,833,869	-	-	-	**2,833,869**	**3.7%**	2,596,381	4.2%
Construction	-	-	5,861,756	-	-	-	**5,861,756**	**7.7%**	3,348,567	5.4%
Trade	-	-	6,528,307	-	-	-	**6,528,307**	**8.6%**	4,961,962	8.0%
Restaurants and hotels	-	-	1,118,324	-	-	-	**1,118,324**	**1.5%**	985,000	1.6%
Transport and communications	-	-	3,689,538	-	17,049	-	**3,706,587**	**4.9%**	2,862,452	4.6%
Services	-	-	5,189,006	23,521	250,208	-	**5,462,735**	**7.2%**	4,670,092	7.5%
Consumer credit	-	-	9,549,529	-	-	-	**9,549,529**	**12.6%**	8,152,382	13.1%
Mortgage loans	-	-	900,978	-	-	-	**900,978**	**1.2%**	982,246	1.6%
Other activities	-	-	950,777	-	-	1,328,794	**2,279,571**	**3.0%**	1,506,913	2.4%
	2,658,002	7,320,583	47,920,633	16,308,931	267,258	1,328,794	**75,804,201**	**100.0%**	62,006,112	100.0%

Thousand MZN

Sector	Bank									
	Avail. funds in other credit institutions	Investments in credit institutions.	Loans to customers	Financial assets available for sale	Investments in subsidiaries	Other assets	2013 Total	2013 %	2012 Total	2012 %
Public sector	-	-	5,032,627	14,827,126	-	-	**19,859,753**	**26.8%**	11,848,810	19.6%
Financial institutions	2,658,002	7,231,863	-	-	356,148	-	**10,246,013**	**13.8%**	13,777,614	22.8%
Agriculture and forestry	-	-	1,608,884	-	-	-	**1,608,884**	**2.2%**	1,512,363	2.5%
Mining industries	-	-	1,957,672	-	-	-	**1,957,672**	**2.6%**	783,605	1.3%
Food, beverages and tobacco	-	-	863,709	-	-	-	**863,709**	**1.2%**	1,203,357	2.0%
Textiles	-	-	5,308	-	-	-	**5,308**	**0.0%**	6,911	0.0%
Paper, printing and publishing	-	-	80,565	-	-	-	**80,565**	**0.1%**	39,006	0.1%
Chemicals	-	-	470,496	-	-	-	**470,496**	**0.6%**	164,494	0.3%
Machinery and equipment	-	-	1,279,288	-	-	-	**1,279,288**	**1.7%**	1,422,345	2.4%
Electricity, water and gas	-	-	2,833,869	-	-	-	**2,833,869**	**3.8%**	2,596,381	4.3%
Construction	-	-	5,861,756	-	-	-	**5,861,756**	**7.9%**	3,348,567	5.5%
Trade	-	-	6,528,307	-	-	-	**6,528,307**	**8.8%**	4,961,962	8.2%
Restaurants and hotels	-	-	1,118,324	-	-	-	**1,118,324**	**1.5%**	985,000	1.6%
Transport and communications	-	-	3,689,538	-	-	-	**3,689,538**	**5.0%**	2,797,190	4.6%
Services	-	-	5,189,006	23,521	-	-	**5,212,527**	**7.0%**	4,459,392	7.4%
Consumer credit	-	-	9,549,529	-	-	-	**9,549,529**	**12.9%**	8,152,382	13.5%
Mortgage loans	-	-	900,978	-	-	-	**900,978**	**1.2%**	982,245	1.6%
Other activities	-	-	950,777	-	-	1,119,224	**2,070,001**	**2.8%**	1,354,374	2.2%
	2,658,002	7,231,863	47,920,633	14,850,647	356,148	1,119,224	**74,136,517**	**100.0%**	60,395,998	100.0%

43. RECENTLY ISSUED POLICIES

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

IAS 19 (AMENDED) – EMPLOYEE BENEFITS

On 16 June 2011, the IASB issued amendments to "IAS 19 – Employee Benefits", with effective application date (retrospectively) for periods that started on or after 1 January 2013.

As a result of IAS 19 (2011), BIM altered its accounting policy with respect to the basis of determination of income and costs related to defined benefit plans. Under IAS 19 (2011), the Group determines the cost (income) of the net interest of the liability (asset) per defined benefit for the period by applying the same discount rate to measure the defined benefit liability at the beginning of the annual period, taking into consideration any alterations to the liability (asset) arising from the contributions and benefits paid.

Consequently, the net interest of the liability (asset) of the defined benefit plan now includes: (i) the cost of the interest of the defined benefit liability; (ii) the income of the plan's assets; and (iii) the interest of the ceiling effect of the asset.

Moreover, the Group changed its policy of recognition of actuarial deviations, and now recognises deviations directly under Other Comprehensive Income.

PRESENTATION OF ITEMS UNDER OTHER COMPREHENSIVE INCOME – AMENDMENT TO IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

On 16 June 2011, the IASB issued amendments to "IAS 1 – Presentation of Financial Statements", with effective application date (retrospectively) for periods that started on or after 1 July 2012.

As a result of the amendment to IAS 1, the Group modified the presentation of items of Other Comprehensive Income in the Comprehensive Income Statement, in order to separately present items that will be reclassified in the future to profit or loss for the period from those that will not be reclassified. The comparative information was restated accordingly.

IFRS 7 (AMENDED) – FINANCIAL INSTRUMENTS: DISCLOSURES – OFFSETTING BETWEEN FINANCIAL ASSETS AND LIABILITIES

On 16 December 2011, the IASB issued amendments to "IFRS 7 – Financial Instruments: Disclosures – Offsetting between financial assets and liabilities", with effective application date (retrospectively) for periods that started on or after 1 January 2013.

The adoption of these amendments had no impact on the Group.

IMPROVEMENTS TO THE IFRS (2009-2011)

The annual improvements of the 2009-2011 cycle, issued by the IASB on 17 May 2012, introduced amendments, with effective application date (retrospectively) for periods that started on or after 1 January 2013 to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

The improvements clarify the difference between optional additional comparative information and the required minimum comparative information. Generally, the required minimum comparative information is that of the previous period.

IAS 16 – TANGIBLE FIXED ASSETS

IAS 16 was amended to clarify the concept of service equipment that might comply with the definition of tangible fixed assets, thus not being stated under inventories.

IAS 32 – FINANCIAL INSTRUMENTS AND IFRIC 2

These standards were adjusted in order to clarify which taxes related to distribution of dividends to shareholders should follow the treatment recommended in "IAS 12 – Income Taxes", thus preventing any interpretation that might imply a different application.

IAS 34 – INTERIM FINANCIAL REPORTING

The amendments to IAS 34 enable aligning the disclosure requirements for the total assets of the segments with the total liabilities, for interim periods. These improvements also enable ensuring that the interim information is consistent with the annual information with respect to the modification carried out regarding the designation of the income statement and other comprehensive income.

The Group did not experience any significant impact arising from the adoption of this amendment.

IFRS 13 – FAIR VALUE MEASUREMENT

On 12 May 2011, the IASB issued "IFRS 13 – Fair Value Measurement", with effective application date (retrospectively) for periods that started on or after 1 January 2013. This standard was adopted by European Commission Regulation number 1255/2012, of 11 December.

Pursuant to the transitional provisions of IFRS 13, the Group adopted the new definition of fair value, as presented in Note 37, prospectively. The amendments had no significant impact on the measurement of the Group's assets and liabilities, but new disclosures were included in the financial statements as required by IFRS 13. Comparisons were not included for these new disclosures, as established in the standard for the first year of application. However, when these disclosures were already required by other standards in force prior to IFRS 13, the Group provided relevant comparative information that had already been disclosed under these standards.

The Group decided against the early application of the following standards and/or interpretations endorsed by the European Union:

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 application date (retrospectively) for periods that started on or after 1 January 2014.

The amendments introduced herein add further implementations guidelines aimed at resolving inconsistencies of practical application. The new guidelines clarify that the expression "currently has a legally enforceable right to set-off" 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 does not expect significant impacts arising from the adoption of these amendments, since the adopted accounting policy is in line with the issued guideline.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

On 12 May 2011, the IASB issued "IFRS 10 – Consolidated Financial Statements", with effective application date (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 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 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 as at each reporting period since the relationship between power and exposure to variable returns can change over time.

Control is usually assessed over the legal entity, but can also be assessed over 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 is evaluating the impact from the introduction of this amendment, although it does not expect that the impact will be significant.

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 application date (retrospectively) for periods that started on or after 1 January 2013.

The objective of the standard is to require that an entity disclose information that assists the users of the financial statements to assess: (i) the nature and risks associated to 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, associates, special purpose vehicles and other vehicles that are off the balance sheet.

The Group is still analysing the impacts of the full application of IFRS 12 in line with the adoption of IFRS 10 and IFRS 11.

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 application date (retrospectively) for periods that start on or after 1 January 2014.

The objective of the amendments was to clarify the scope of disclosures 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.

Standards, amendments and interpretations issued but not yet effective for the Group:

IAS 19 (AMENDED) – DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

On 21 November 2013, the IASB issued the amendments to IAS 19 with effective application date (retrospectively) for periods that start on or after 1 July 2014.

The present amendment clarifies the guidelines related to contributions made by employees or third parties linked to the services, requiring that the entity should attribute such contributions in conformity with paragraph 70 of IAS 19 (2011). In this light, 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 that are independent of the number of years of service (for example, a percentage of remuneration), as a reduction to the cost of services in the period when the service is being provided.

IFRIC 21 – LEVIES

On 20 May 2013, the IASB issued this interpretation with effective application date (retrospectively) for periods that start 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, occurs. It is not expected that IFRIC 21 will have impacts on the Group's financial statements.

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 application date for periods that start on or after 1 July 2014 to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 3 – ACCOUNTING FOR CONTINGENT CONSIDERATION IN A BUSINESS COMBINATION

The objective 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 not to 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, as at the revaluation date, the IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38, in 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 – RELATED PARTY TRANSACTIONS – KEY MANAGEMENT PERSONNEL SERVICES

In order to resolve some concern about the identification of costs related to key management personnel (KMP) services when these services are provided by an entity (management entity as, for example, in 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 application date for periods that start on or after 1 July 2014 to IFRS 1, IFRS 13 and IAS 40.

IFRS 1 – CONCEPT OF "EFFECTIVE IFRS"

The IASB clarified that while the new IFRS are not yet mandatory but permit early application, IFRS 1 permits, but does not require, their application to the first financial statements reported pursuant to the IFRS.

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 objective of this amendment consists in the clarification 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 objective 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.

IFRS 9 – FINANCIAL INSTRUMENTS (ISSUED IN 2009 AND AMENDED IN 2010 AND 2013)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced the hedging methodology. The IASB currently has a project underway for limited alterations to the classification and measurement presented in IFRS 9 and new requirements to address financial asset impairment.

The requirements of IFRS 9 (2009) represent a significant change to the current requirements established in IAS 39, with respect to financial assets. The standard contains two primary categories of measurement of financial assets: amortised cost and fair value. A financial asset should be measured at amortised cost if it is held in the context of a business model whose objective 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, related only to the nominal amount and interest in force. All other financial assets should be measured at fair value. The standard eliminates the categories currently existing in IAS 39 of "held to maturity, "available for sale" and "accounts receivable and payable".

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 other comprehensive income (OCI). No amount recognised under OCI will be reclassified to 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.

Investments in equity instruments, for which the entity does not wish to present its fair value variations under OCI, should be measured at fair value with the variations recognised through profit or loss.

The standard requires that embedded derivatives in contracts whose underlying contract is a financial asset, covered by the scope of application of the standard, should not be separated, but rather, in contrast, the hybrid financial instrument is assessed as a whole in order to determine whether it is measured at amortised cost or fair value.

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 (2010) 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.

The date when IFRS 9 will be enforced has not yet been established, however, it will be determined when the phases in progress are finalised.

The Group has started a process of appraisal of the potential effects of this standard but is awaiting the outcome of the announced amendments, before completing the respective appraisal. In view of the nature of the Group's activities, it is not expected that this standard will have relevant impacts on the Group's financial statements.

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

To the shareholders of BIM - Banco Internacional de Moçambique, S.A.

Report on the Financial Statements

We have audited the financial statements of BIM - Banco Internacional de Moçambique, S.A., which include the individual and consolidated balance sheet as at 31 December 2013, the individual and consolidated income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the financial year ended on that date as well as notes to the financial statements that include a summary of the significant accounting policies and other explanatory notes, on pages 75 to 143.

Responsibility of the Board of Directors in relation to the financial statements

The Board of Directors is responsible for the appropriate preparation and presentation of these individual and consolidated financial statements, in accordance with the International Financial Reporting Standards and the internal control system that the Board of Directors considers necessary to permit the elaboration 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 individual and consolidated financial statements based on our audit. Our audit was conducted in accordance with the International Audit Standards. Such standards require that we comply with relevant ethical standards and plan and perform the audit so as to obtain reasonable assurance that the individual and consolidated 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 individual and consolidated financial statements. The selected procedures depend on our judgement, including the assessment of the risks of material distortion of the individual and consolidated financial statements, due to either fraud or error. In making these risk assessments, we consider the relevant internal controls for the appropriate preparation and presentation of the individual and consolidated 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. 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 evidence obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

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KPMG Auditores e Consultores, SA, a Mozambique limited liability company, is a member of KPMG International, a Swiss cooperative

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KPMG

Opinion

In our opinion, these individual and consolidated financial statements present, in a true and appropriate form, the financial position of BIM - Banco Internacional de Moçambique, S.A. as at 31 December 2013, and the individual and consolidated financial performance and cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards.

[Illegible Signature]

KPMG

21 February 2014
Maputo

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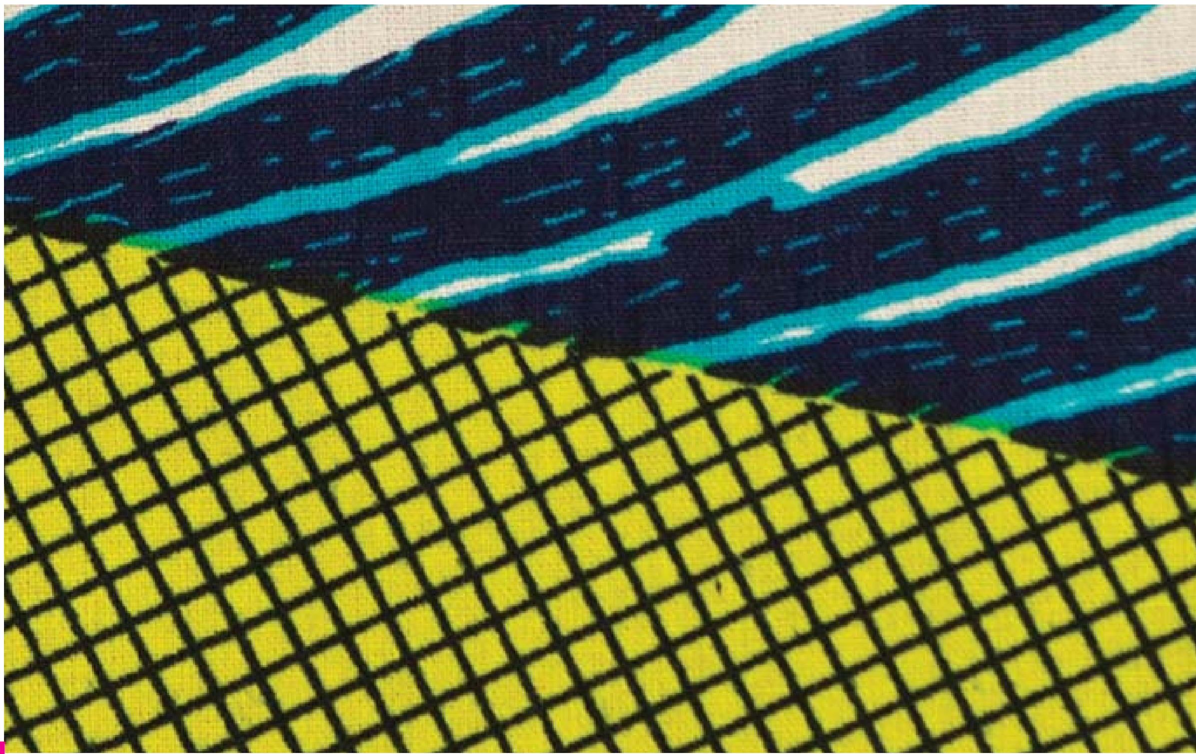

REPORT AND OPINION OF THE SUPERVISORY BOARD

REPORT AND OPINION OF THE SUPERVISORY BOARD

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 2013.

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 5.3% increase of the Financial Margin, influenced mainly by the combined variation of the following indicators:
    - i). 25.3% increase in the volume of net loans to customers; and
    - ii). 93% variation in the portfolio of bonds and other fixed yield securities available for sale.
- an 11.8% increase in Other Net Income, due to:
    - i). a 2% increase in Income from Equity Instruments (dividends received from Seguradora Internacional de Moçambique, SA);
    - ii). a 22.6% increase in Net Commissions;
    - iii). a 20% decrease in Net Income from Financial Operations; and
    - iv). about 103% increase in Other Net Operating Income, not including other provisions.

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

- The variation in the quality of the loan portfolio reflects a prudential credit policy that led to:
    - i). a 6% increase in past due loans by more than 90 days;
    - ii). a decrease of the "past due to total loans" ratio, from 2.0% in 2012 to 1.7% in 2013; and
    - iii). a decrease of the coverage ratio of past due loans from 354% in 2012 to 348% in 2013.

  Credit impairment (net of recovery of loans written off) stood at 446.2 million meticais in 2013, compared to 464.7 million meticais in 2012.

  Customer funds (deposits and debt securities issued) increased from 56,369 million meticais in 2012 to 67,623 in 2013, corresponding to an increase of 20%.

- Operating costs increased by about 6.5%.
- The net income of the Bank, which reached about 3,303 million meticais in 2013, registered an 11% increase in comparison with about 2,978 million meticais of 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 2013, 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 3,461.96 million meticais and a profit of the Bank of 3,302.9 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** present a comprehensive income of the Group of 3,445.0 million meticais and a comprehensive income of the Bank of 3,290.3 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 325.3 million meticais for the Group and 330.3 million meticais for the Bank; and

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 a Net Income as at 31 December 2013 of 15,511.9 million meticais for the Group and of 14,238.0 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 2013, as well as the result of the operations carried out by the Group and the Bank during the financial year.

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 2013;

   ii). Express its vote of support for the performance of the Board of Directors and of all other employees of Millennium bim in 2013.

Maputo, 21 February 2014

THE BOARD OF AUDITORS

António de Almeida – Chairman

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

OPINION OF THE BOARD OF AUDITORS

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime - Member

Maria Iolanda Wane - Alternate Member

ANNUAL REPORT 2013
BIM – Banco Internacional de Moçambique, S.A.

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Maputo/Moçambique

Share Capital:
MZN 4,500,000,000

Registered at Banco na Conservatória
do Registo de Entidades Legais
em Maputo, under nr. 6614

Pictures: Ricardo Franco

June 2014

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