2012 ANNUAL REPORT

Millennium bim

ANNUAL REPORT MILLENNIUM BIM 2012

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.

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BIM – Banco Internacional de Moçambique, S.A.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

CHAIRMAN'S STATEMENT

In making the final overall appraisal of yet another year of our activity, it is with particular satisfaction that we can state that our targets were surpassed. The Bank has strengthened its leadership, where this is the outcome of greater proximity to our Customers and through management practices based on a culture of high standards, with ongoing and demanding supervision.

The economic environment of the country has been favourable, with there being more confidence, more investment and more opportunities. The discovery of natural resources, the fiscal and monetary policy followed by the authorities are key and catalysing aspects for the robust growth of the Mozambican economy. In view of this positive scenario and aware of its responsibility due to its top positioning in the national financial sector, the Bank has implemented a strategy of Customer segmentation with a value proposition that is appropriate to the country's current period of development and growth, maintained its commitment as an active agent in the process of extending the participation of the population in the banking sector of Mozambique through the continuous expansion of its network of branches, the largest of the country, consolidated its leadership in remote payment channels, promoting the increased total number of ATM and POS, and has launched innovative products and services designed to meet the needs of Mozambicans and the business sector of the country.

The financial solidity, demonstrated by its equity structure and strengthened by the improvement in the solvency ratio, reflect the vitality and strategy of good governance of Millennium bim, showing its strong contribution to national development, not only by financing investment but also constituting strategic partnerships in new projects, fostering new technologies and introducing new products and services, which support the stability and development of the financial system in the country's prosperity.

Contributing to a better future for all Mozambicans is part of the Bank's mission. With over 1,170,000 Customers and 2,400 Employees, Millennium bim is the highest taxpayer and largest employer of the Mozambican financial system. Aware of its responsibilities and contribution to the socioeconomic development of Mozambique, both in boosting savings and in supporting the business sector, we can state that Millennium bim has been, and is, the driving engine of the development of the country's banking sector, having been, in 2012, the only Bank to figure in the ranking of the 100 largest African financial institutions.

Distinguished for its overall collective effort towards the improvement of the life of Mozambicans in all areas, the Bank has received the recognition of the most prestigious national and international institutions, having been selected as the Bank of the Year in Mozambique by the magazine *The Banker* of the Financial Times; Best Bank in Mozambique, distinguished by *emeafinance* and by the financial publication *Global Finance*, Best Banking Group in Mozambique by the financial magazine *World Finance*, Bank of the Year in 2012 by *InterContinental Finance*, and distinguished with the International Quality Summit Award by BID – Business Initiative Directions. Considered an excellent brand "Superbrand", by Superbrands Mozambique, Millennium bim conquered the grand prize in being distinguished as the Best Brand of Mozambique in the banking sector, by the multinational GFK.

Aware of its active role and major contribution to the development of Mozambique, Millennium bim is ruled by socially responsible conduct, which includes policies that support and encourage the well-being of communities through its "More Mozambique for Me" Social Responsibility programme, having developed various actions based on four specific areas of action: education, health, culture and sports, which figure as the leverage points for the country's sustainable development, such as the Mini Basketball Tournament and the Millennium bim Race, both in their seventh edition, the sixth edition of the "A Clean City for Me" initiative, the continuous involvement in the recycling project in partnership with the Mozambican Recycling Association (AMOR), the restoration of the cultural space "Núcleo D'Arte", a Millennium bim-Ministry of Health partnership, with workshops on road safety at schools, a project promoting children's reading and, last but not least, the "Responsible Millennium bim" voluntary programme.

The "M" of Millennium bim also stands for the "M" of "More": more Employees, more branches, more proximity, more Customers, more ATM and POS, more awards, more social responsibility, more history in the national banking sector. These are the arguments which allow us to state that we are, effectively, a universal bank, a Bank of and for Mozambique, a "More For All" bank.

It is with a feeling of mission accomplished that in my personal name and on behalf of the Board of Directors of Millennium bim, I thank all of our Customers, Shareholders, the Authorities and our Employees, for the support and permanent confidence in our Institution. This reassurance is always a stimulus to overcome obstacles, meet challenges successfully and achieve the defined objectives.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

KEY INDICATORS

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

KEY INDICATORS

Million Meticais

	'12	'11	'10	'09	VAR. % '12/'11
Balance Sheet					
Total assets	**70,647**	60,889	54,326	48,275	16.0%
Loans to Customers (net)	**38,230**	34,192	34,982	27,540	11.8%
Total Customer funds	**56,369**	48,852	44,634	39,163	15.4%
Equity and subordinated liabilities	**12,250**	10,400	8,107	6,623	17.8%
Profitability					
Net operating income	**7,459**	7,873	6,560	5,049	-5.3%
Operating costs	**3,458**	3,102	2,934	2,327	11.5%
Impairment and Provisions	**502**	716	961	453	-29.9%
Income tax	**523**	639	417	349	-18.2%
Net income attributable to the Bank's Shareholders	**2,976**	3,418	2,248	1,919	-12.9%
Cost to income ratio	**46.4%**	39.4%	44.7%	46.1%	
Return on average equity (ROE)	**27.2%**	38.8%	32.1%	36.3%	
Return on average assets (ROA)	**4.6%**	6.0%	4.4%	4.8%	
Credit Quality					
Loans overdue by more than 90 days/Total loans	**2.0%**	1.5%	0.9%	0.9%	
Non-performing loans/Total loans	**2.1%**	1.7%	1.1%	1.0%	
Loan impairment/Loans overdue by more than 90 days	**354.0%**	479.4%	569.2%	494.3%	
Cost of risk	**113 b.p.**	208 b.p.	199 b.p.	143 b.p.	
Solvency (*)					
Tier I	**21.5%**	17.6%	14.6%	13.7%	
Total	**21.7%**	17.9%	15.1%	14.7%	
Branches					
Branches	**151**	138	126	117	9.4%
Customers					
Customers (thousand)	**1,173**	1,024	864	706	14.6%
Employees					
Employees	**2,298**	2,230	1,950	1,805	3.0%

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

SUMMARY OF THE REPORT OF THE BOARD OF DIRECTORS

During 2012, the global economy was strongly influenced by the high rates of unemployment and deterioration of fiscal deficits in the USA and in Europe which contributed to constraining the pace of recovery of the global economy. Over this period, there has been moderate growth of 3.3% (3.8% in 2011), but with divergences in the rates of recovery. The emerging economies, and China in particular, whose estimated growth for 2012 stood at 7.8%, showed much more vigorous growth than the developed economies.

Considering the current macroeconomic scenarios in the USA (weak recovery) and Euro Zone (negative growth due to the process of deleverage of families and companies, and the imposition of fiscal austerity measures), showing no clear trend of economic growth, compared to the levels recorded at the end of 2011, the central banks decided to adopt accommodative monetary policies (maintenance of low interest rates and the injection of liquidity in the markets). These measures enabled, to some extent, attenuating the recessive impact of the lower aggregate demand of private investment and consumption in Europe.

For Sub-Saharan Africa, the estimated economic growth in 2012, according to the IMF, is 5.0%. This growth is based, primarily, on the redirection of the continent's exports to Asia, with China having assumed a preponderant role for the African economies, as one of the main importers and funding agents of investment and infrastructure projects.

In Mozambique, the real rate of growth should be 7.5%. This growth already reflects the start-up of the megaproject activities in the mining sector with the demand for natural resources and energy products, as well as the investments in the transport and communications, tourism and infrastructure sectors.

Since the end of 2011, the exchange rate stability of the Metical and control of the inflation rate, which reached historically low values, has led to a change of the monetary policy of Banco de Moçambique, reflected in the reduction of the Permanent Assignment Facility by 550 basis points from 15% to 9.5%. These alterations constituted a clear sign of support to the expansion of credit to the country, albeit with a negative impact on the net interest income of the banking system.

In spite of the economic circumstances, in the ranking defined by the magazine *The Banker* published by the Financial Times, relative to the 300 most important African banking institutions, Millennium bim is the first Mozambican bank to appear, in the 65th place, thus reflecting the commitment and contribution assumed in the economic and financial development of Mozambique, as well as its role of leadership in the process of increasing the participation of the population in the country's banking system.

The robustness of its equity, high solvency level and maintenance of appropriate liquidity levels are merely some of the indicators which make Millennium bim the most solid Bank of the market.

Throughout 2012, Millennium bim has strengthened its leadership as the largest financial Group in Mozambique with a value proposition sustained on three pillars, namely: (i) the implementation of a strategy of segmentation for its portfolio of Customers, which exceeded 1,170,000 in December 2012; (ii) the launch of innovative products and services in order to meet Customer needs and expectations and (iii) the maintenance of the plan to expand its network of branches, which reached a total of 151 branches.

The Bank has developed a value proposition for the Prestige segment, a sector which has shown growing buoyancy and competitiveness over the years, and adjusted its Corporate offer to the needs of Mozambican Companies. In this way, the Bank maintained its position of leadership in the Corporate, Prestige (Companies and Individuals) and Retail Banking segments during 2012.

In addition to new spaces (14 branches), designed specifically for the comfort and convenience of its Customers, the Prestige offer included value propositions that were innovative and differentiating on the market which are now being offered to Individual and Company Customers. The respective propositions offer not only a personalised service and service of proximity with the Bank, but also a series of advantages in terms of debit and credit cards, bancassurance, transfers and use of electronic channels, amongst others.

Pursuing its tradition of leadership and drive to surpass the requirements of its external and internal Customers, Millennium bim has continued to present novelties on the market, namely with the introduction of applications which significantly simplify banking operations at branches, the offer of a differentiated Internet Banking solution on the Mozambican market, thus expanding the set of functionalities at the disposal of Customers, and the introduction of confirming (service of management of payments of Companies, Customers of the Bank, to their suppliers). The innovations also include computerised solutions which facilitate the management and payment of customs duties, the collection of corporate levies and the payment of social security contributions.

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 a large number of other distinctions, namely: (1) Bank of the Year in Mozambique, attributed by the magazine *The Banker*, (2) Best Bank in Mozambique, distinguished by *emeafinance*, as well as (3) by the financial magazine *Global Finance*, (4) Best Banking Group in Mozambique by the magazine *World Finance* and (5) Bank of the Year in 2012 by the magazine *InterContinental Finance*.

Furthermore, Millennium bim was distinguished as the (6) Best Brand of Mozambique in the banking sector, by the multinational GFK, and considered a (7) "Superbrand" excellent brand by Superbrands Mozambique. Amongst the many awards received, Millennium bim was also distinguished with the (8) International Quality Summit Award Times by BID – Business Initiative Directions.

The consolidated net income of Millennium bim reached 3.14 billion Meticais, which enabled achieving a return on equity (ROE) above 26%. By the end of the year, total assets reached 73 billion Meticais, corresponding to year-on-year growth above 18%. Notwithstanding the impact of the programme to expand the network of branches, ATM and POS (exerting upward pressure on costs) and the economic situation (squeezing of margins), the efficiency (cost-to-income) ratio remained at a level below 45%.

Millennium bim's subsidiary, Seguradora Internacional de Moçambique, maintained its position of leadership in the insurance market during 2012, recording a net income of 392 million Meticais and a combined ratio of 54%.

Aware that its role is determinant in the development of Mozambique, Millennium bim is ruled by socially responsible conduct, which is also recognised and reputed both at a national and international level, integrating and promoting policies that support and encourage the well-being of communities, especially in the areas of education, health, culture and sports. These actions have been conducted through its Social Responsibility Programme "More Mozambique for Me" (MMpM), currently in its 7th year of existence.

The main strategic lines defined for 2012 were thus achieved, particularly in the maintenance of a high solvency ratio, consolidation of liquidity levels, innovation and expansion of the business base.

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

Paulo Fernando Cartaxo Tomás
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

Meticais

Shareholder	31 December 2012		
	Number of shares	Share capital (%)	Underwritten and paid-up share capital
Millennium BCP Participações, S.G.P.S., Soc. Unipessoal, Lda.	30,008,460	66.69%	3,000,846,000
State of Mozambique	7,704,747	17.12%	770,474,700
National Social Security Institute (INSS)	2,227,809	4.95%	222,780,900
EMOSE – Empresa Moçambicana de Seguros, S.A.R.L.	1,866,309	4.15%	186,630,900
Foundation for the Development of the Community (FDC)	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 – 1,637 investors, with individual holdings of less than 1%, acquired under the process of sale of State shares to the Workers.

GOVERNING BODIES

BOARD OF THE GENERAL MEETING

Chairman	Esperança Alfredo Samuel Machavela (1)
Deputy Chairman	Flávio Prazeres Lopes Menete (1)
Secretary	Horácio de Barros Chimene (1)

SUPERVISORY BOARD

Chairman	António de Almeida
Member	Eulália Mário Madime
Member	Daniel Filipe Gabriel Tembe (1)
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 (1)
Director	António Manuel Duarte Gomes Ferreira
Director	Teotónio Jaime dos Anjos Comiche
Director	Paulo Fernando Cartaxo Tomás
Director	Ricardo David
Director	Rogério Gomes Simões Ferreira
Director	João Manuel R.T. da Cunha Martins
Director	Manuel Alfredo de Brito Gamito (1)

(1)) Appointment on 30 March 2012.

ECONOMIC AND FINANCIAL OVERVIEW

ECONOMIC AND FINANCIAL OVERVIEW

WORLD ECONOMY

Worldwide recovery continued weak due to the unemployment and fiscal deficit in the USA and in Europe. The International Monetary Fund projects a growth rate for world GDP of 3.3% in 2012 and 3.6% in 2013 [1].

1. GLOBAL ECONOMIC ENVIRONMENT

The global economic scenario was and will continue to be dependent on the implementation of policies which prevent the further deterioration of the economic situation in the Euro Zone, the impact of any possible inadequate economic policies in the USA, the growth of the BRIC (Brazil, Russia, India and China) and the adoption of accommodative policies by the Central Banks of the more developed economies. Although the global economy has been marked by resilience to the global recession, certain trends continued during 2012:

- The West without sustained growth sustained by the foundations of aggregate demand due to the excessive indebtedness of families and companies, as well as the sovereign debt crisis in Europe. In fact, the process of deleveraging of families and companies is still underway, as well as the fiscal austerity measures, which constitute the principal underlying theme of the weakness in the growth of the more developed economies;

- Support measures and commitments of the Central Banks, especially the European Central Bank (ECB) in the Euro Zone. In this situation of crisis, the balance of the Central Banks has increased and the fiscal deficit has deteriorated;

- The structural change in the correlation of strengths in favour of the emerging countries, constituting the principal driver of global growth;

- The consolidation of other trade channels and investment flows between Asia, Africa, the Middle East and Latin America, in a South-South type of version of relations;

- Alterations of structural nature in the most populated emerging economies, such as China, Indonesia and India, in terms of the higher absorption capacity of domestic markets compared to the deterioration of their export markets of the West and Europe.

The factors referred to above contributed to maintain global growth in a situation where various risks affected the positive feelings of the markets, namely:

- The uncertainty surrounding the elections in Greece and the exacerbation of the contagion effects of the austerity measures in the rest of the Euro Zone and of countries dependent on external investment flows and assistance;

- The effects of the accommodative monetary policies on capital flows which seek attractive yields in emerging markets, implying the risk of a price bubble and inflation in these markets. This risk is reinforced by the inflationary effects of monetary and fiscal policies which boost economic growth;

- The geopolitical risks inherent to the situation of Iran and Syria in the Middle East, with potential implications of a shock in the energy sector, as well as the effects of the economic sanctions on Iran with a negative impact on the correlated markets;

(1) IMF, *World Economic Outlook*, Oct 2012.

• The result of the November elections in the USA and the need for negotiations between the two parties on the path of fiscal policy. This situation imposes limitations on matters of policies to stimulate demand as a method to combat the recession.

Economic growth in 2013 should be more robust than in 2012, which is estimated to stand at 3.6%, driven by the good performance of the emerging economies, where it is expected that China will record a rate of 8.2%, influenced by the consolidation of the domestic economy.

In contrast, a probable containment of fiscal expenditure (2) in the USA should dampen any gains in the trend of growth of aggregate demand, arising from the recovery of consumption, credit and the real estate market. The Euro Zone, more united in the monetary field and with new supervisory structures, should show a very weak recovery in view of the effects of the fiscal austerity programmes in the periphery of Europe.

The outlook for 2013 is of global growth of around 3.6%, driven by the emerging countries and moderate recovery of the USA, in a context where sustainability depends on various challenges:

(i) Fiscal policy in the USA after the election of the Democrats and process of negotiation and regulation involved;

(ii) The continuation of the support of the ECB and Germany to the peripheral countries of Europe, combined with new banking supervisory instruments applied across the Euro Zone;

(iii) The containment of inflation and bubble of asset prices in the emerging markets, which might lead to restrictive monetary policies with recessive effects;

(iv) Structural reforms in the emerging markets, ensuring greater absorption capacity of domestic markets;

(v) Political stability in the Middle East with impact on the price of energy products;

(vi) Possible stagnation of GDP in China, leading to a slowdown of exports of the emerging economies.

According to the IMF, the evolution of GDP between 2010 and 2012 is estimated as follows:

EVOLUTION OF GDP 2010-2012

	'10	'11	'12 E
World economy	5.1	3.8	**3.3**
USA	2.4	1.8	**2.2**
Euro Zone	2.0	1.4	**-0.4**
China	10.4	9.2	**7.8**
Brazil	7.5	2.7	**1.5**
Sub-Saharan Africa	5.3	5.1	**5.0**
Mozambique	6.8	7.3	**7.5**
Angola	4.5	3.9	**6.8**

Source: FMI, WEO Oct. 2012.

(2) Effects of what is known as the US Fiscal Cliff, which will imply increased taxes and cutting of government expenditure with recessive effects.

UNITED STATES OF AMERICA

The USA should have recorded GDP growth of around 2.2% during 2012, characterised by a slow recovery of the construction sector, improved confidence levels in markets, simultaneously with the process of deleveraging of family and company balances in a situation of apparent divergence between monetary and fiscal policy.

The more expansionary monetary policy brought in by the QE 03 programme [(3)] and, on the other hand, a more restrictive fiscal policy due to the sustainability of public debt, a direct consequence of the stimulus packages used to attack the recession. The monetary policy helped to refinance the residential sector at lower rates, which led to positive behaviour in terms of gross fixed capital formation.

In contrast, the weak private consumption, together with the unemployment and family indebtedness, constitute dampening factors on economic growth. During last October, unemployment was estimated at 7.8%, equivalent to close to 12 million people [(4)]. In August, consumption increased by 2.1%, however, above the levels of disposable income, which indicates that families are using their savings in view of the conditions of the credit market.

The external trade channel was an alternative support to GDP growth, embodied in the 4.4% growth of net exports, partly in the reduction of imports and the depreciation of the currency. The major risk for the USA in 2013 is the Fiscal Cliff, whose consequences will be reflected in the reduction of public expenditure and contraction of GDP. The possibility of a recession in Europe constitutes another risk with negative impact on the exports of the USA.

CHINA

GDP should have recorded annual growth of around 7.8% during 2012 (7.4% in the third quarter of 2012), representing a slowdown in relation to the average of the last three years due to the recession of the Euro Zone and dampening of growth in the USA [(5)]. It is important to note that this growth arises from the implementation of monetary and fiscal stimulus policy during the year, increasing the leverage levels to 205% of GDP, thus foreseeing a budget deficit of around 128 billion USD and the emergence of signs of overheating in the real estate market.

Apart from the support provided by the expansionary policy, the reduction of taxes and increased public expenditure through special vehicles [(6)] played a positive role in the growth of the economy. However, this situation might lead to actions to restrain expenditure or increase revenue in the future. Notwithstanding the expansionary policies on aggregate demand, the International Monetary Fund estimates that inflation, measured by the Consumer Price Index, was close to 3.0% in 2012. It should be noted that the value recorded in November was 2.0%.

There are two aspects of particular importance regarding growth in China: (i) the trade-off between the components of aggregate demand, namely investment and consumption. It is estimated that private consumption has recorded very high growth rates in the last ten years, at an annual average of 7.7% [(7)], which includes both the luxury segment and segment with lower purchasing power and (ii) the higher weight of the consumption of commodities, which could lead to higher risk for exporters such as Peru, Chile, Brazil, Kazakhstan and some African countries in the case of a recession in the industrial sector.

AFRICA

The growth of Sub-Saharan Africa is based on policies and reforms implemented in the past, including the package of responses to the economic and financial crisis between 2009 and 2010, the demand for commodities driven by the BRIC, the emergence of an internal consumer market in the more populated countries such as Nigeria, and a relative improvement of the business environment in various countries.

It is estimated that GDP growth should have been 5.0%, where it is important to highlight the oil exporting countries, which recorded growth rates above the average, namely Angola (6.8%), Nigeria (6.9%) and Ghana (8.5%).

(3) QE 03: Quantitative Easing, a programme of purchase of public debt and injection of liquidity in the economy at almost zero interest rates.
(4) An improvement in relation to 2009, when unemployment stood at 10% and affected 15 million people.
(5) In spite of the slowdown of Western export markets, the current balance recorded a surplus of 59.7 billion USD at the end of the second quarter of 2012.
(6) LGIV: Local Government Investment Vehicles.
(7) Compared to a global average of 2.9% and average of the emerging economies of 5.4%.

In general, the very strong buoyancy of the demand for natural resources and basic metals led to the sustained growth of most of the countries, both those which have a diversified export base and those dependent on a few products, which is the case, for example, of Zambia (copper) and Botswana (diamonds), which should have grown by 7.0 and 5.6%, respectively.

South Africa should have recorded one of the lowest growth rates (2.3%) when compared to the rest of Africa, due to the decline of external demand influenced by the recession of the Euro Zone, one of its main export destinations.

The growth of the countries of Sub-Saharan Africa were, to a large extent, based on the reorientation of their exports to the Asian continent, and primarily, to China. It is estimated that China-Africa bilateral trade reached the value of 200 billion USD by the end of 2012 (166 billion USD in 2011). In these relations, China has begun to play an important role for the African economies, in terms of external balances, as well as in the flow of capital for the purpose of the financing of investment projects in infrastructures.

2012 was also marked by an appetite for investments in public debt markets in view of the continued application of expansionary monetary policies in the more developed economies. Signs of the interest of investors are evident through the inclusion of Nigeria in the GBI-EM index, the entrance of Zambia in the eurobond market and the attractiveness of the market of Ghana.

In other countries there is a strong consolidation of an environment which is more encouraging to the alternative of capital markets, in particular the efforts of reducing inflation in Kenya and Uganda. Hence, the basis of growth of the real economy lead to foreseeing greater interest in investment in assets from abroad, which leads to prospects of coverage of the current account deficits, while at the same time increasing the integration of these markets abroad.

SOUTH AFRICA

It is estimated that GDP recorded a less vigorous path during 2012, of around 2.3% (3.1% in 2011). The factors which contributed to the slowdown of economic growth were related to the situation of lower demand in Europe which affects the export channel, weaker private consumption, as well as the strikes in the mining sector.

Concerning inflation, the consumer price index increased from 5.0% in August to 5.2% in September (year-on-year), with monthly growth of 0.6%, driven by the inflation in transport services (0.3 p.p.) and food products (0.1 p.p.). The price of fuel recorded a monthly increase of 8.4% in September, which implied an inflation of the transport sector in the order of the 6.7% (year-on-year). The target defined by the Central Bank (SARB) is to maintain inflation between 3% and 6%.

Regarding the external balance, a reduction of the trade balance was recorded in September 2012 relative to August 2012, from 12.2 billion Rands down to 9.5 billion Rands, where it is expected that, in year-on-year terms and due to the situation of Europe, exports will record an annual reduction of 7.6%. The external balance will be maintained by the capital flow arising from the higher yields [(8)]. In relation to public accounts, the deficit was revised upwards from 4.6% to 4.8% of GDP, enabling a gradual process of consolidation.

With respect to positioning on matters of economic policies, no cuts in the SARB reference rates are foreseen, if the Rand depreciates to 8.30 against the USD and the inflationary pressure continues. The risk of contagion of recession abroad might constitute a stimulus to changing monetary policy in order for the country to be able to maintain sustained growth. It should be noted that, in spite of moderate growth, South Africa was downgraded in terms of the classification of its sovereign debt as a result of the disturbance caused by the workers' strikes and indications of nationalist policies shown by various dominant political forces [(9)].

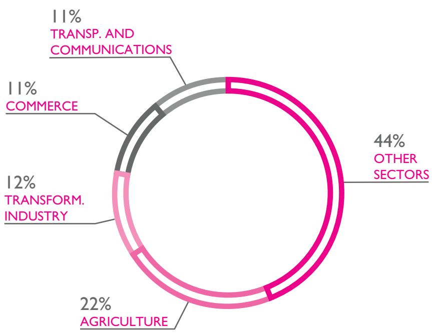
(8) Note should be made of the integration of South Africa in the Citi WBGI index (World Government Bond Index of the Ctigroup).
(9) Baa1 (Moody´s), BBB (S&P).

2. ECONOMY OF MOZAMBIQUE

ECONOMIC GROWTH

According to data published by the National Statistics Institute (INE) for the second quarter of 2012, GDP recorded growth of 8.0% (year-on-year) representing an acceleration of 1.7 percentage points (6.0% in the first quarter). In cumulative terms, the growth of the economy over the second semester was 7.2% (year-on-year), which means that it recorded an acceleration of around 0.4% in relation to the previous quarter. The secondary sector was the sector which recorded strongest growth (10.2%) during the period under review, driven by the branch of manufacturing industry, which grew by 11.6%, followed by the tertiary sector, with a growth rate for the period under review of 7.7%, driven by the branch of transport and communications, which increased by 11%. The primary sector also recorded a positive performance (7.4%), particularly in the mining industry, which grew by 54%. The agricultural sector is the sector which continues to show most weight in the Mozambican economy, having accounted for 22% of GDP in the second quarter, followed by the branch of trade and services, which accounted for 11%, and manufacturing industry, for 12%.

GDP – MOZAMBIQUE, SECTORIAL CONTRIBUTION (2ND QUARTER)



Source: INE.

INFLATION

Prices levels in the economy during 2012 showed a downward trend in view of the efforts to reduce inflation pursued by the monetary authorities and the evolution of the real sector. In general terms, the reduction of inflation was the result of the following:

(i) Effects of restrictive monetary policies applied between 2010 and 2011;

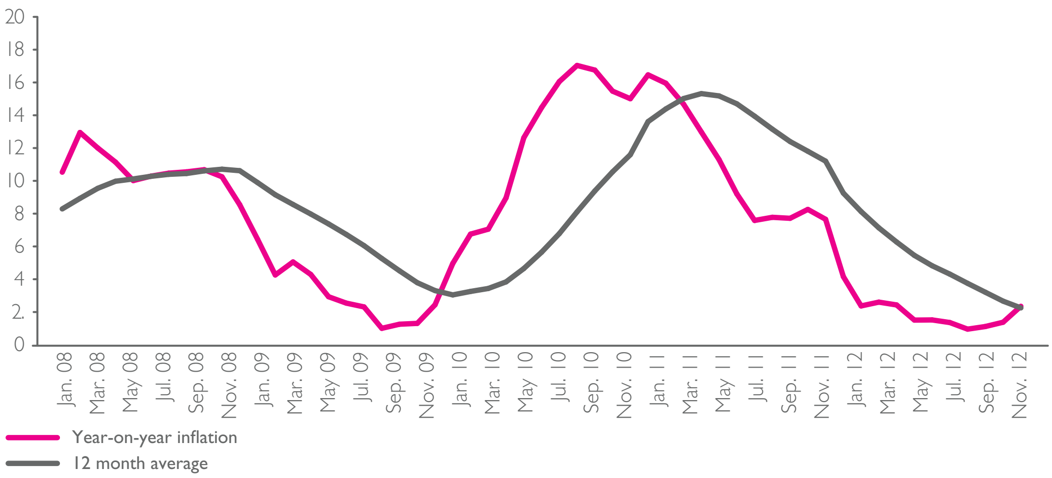
(ii) Containment of the mechanism of transmission of the inflation of the basket of imported goods, based on a policy of appreciation of the Metical in relation to the principal currencies of foreign transactions (USD and Rands);

(iii) The good harvests and food production which occurred in 2012.

In fact, approximately 50% of the Consumer Price Index is explained by the basket of consumer goods, where 25% are imported goods. According to INE data relative to the month of November, year-on-year inflation was 2.3% (15.5% in 2010 and 8.6% in 2011). From January to October, the monthly variation of prices stood below 0.05%, having increased in November to 1.06%, accompanied by a minor devaluation of the Metical in relation to the USD.

In line with the downward trend of inflation, the monetary authorities proceeded with six successive cuts in the reference rate (Permanent Assignment Facility), to an accumulated total of 50 basis points, between December 2011 (15.0%) and December 2012 (9.50%), in a clear action of support to credit expansion and economic growth.

EVOLUTION OF INFLATION IN MOZAMBIQUE



Source: INE.

Macroeconomic indicators	'07	'08	'09	'10	'11	'12 E
Real GDP (annual change)	7.50%	6.80%	6.30%	7.10%	7.30%	**7.50%**
Inflation (average change)	8.2%	10.3%	3.4%	12.7%	8.4%	**2.9%**
Monetary mass (annual change)	25.0%	26.0%	32.6%	22.8%	9.4%	**25.5%** [a]
Current transactions balance (as % of GDP)	-9.2%	-12.2%	-10.5%	-17.4%	-25.8%	**-26.9%** [a]
Budget balance (as % of GDP)	-5.3%	-2.3%	-5.4%	-6.0%	-4.6%	**-6.4%**
MZN/USD exchange rate at end of period	23.8	25.5	29.2	32.8	28.0	**29.8**
MZN/USD exchange rate % change	-8.3%	7.1%	14.5%	12.3%	-14.6%	**6.4%**
MZN/ZAR exchange rate at end of period	3.50	2.72	3.96	5.03	3.40	**3.50**
MZN/ZAR exchange rate % change	-8.4%	-22.3%	45.6%	27.0%	-32.4%	**2.9%**

Notes:
a – Banco de Moçambique and FMI (CR 13/01).
E – Estimates, except Exchange Rate (Mbim) and inflation (INE).

EXTERNAL BALANCE

During the first semester of 2012, the current account recorded a deficit of 1.35 billion USD, corresponding to a deterioration of 54% in relation to the same period of 2011. The current account deficit was influenced, to a large extent, by the imports of equipment of the capital intensive investments in the extraction of mineral resources, the import of fuel, wheat flour, vehicles and medicinal products, as well as the remuneration of factors of production to entities abroad.

Furthermore, and in relation to the period under review, there were factors which had a significant contribution to the fall in the balance of current transactions: (1) the decline of emigrant remittances, primarily of the miners in South Africa as a result of the strikes which occurred there last year and (2) the less expressive support of the donors in terms of unilateral transfers. It should be noted that the situation of the current balance reflects the country's growth based on capital intensive projects, indicating the trade-off between internal and external balance.

Indeed, and as demonstrated in the table below, the exclusion of the transactions related to the major projects, has a significant impact on the current account deficit, standing at 989 million USD, which corresponds to an aggravation of 28% in relation to the same period of 2011.

CURRENT ACCOUNT BALANCE Million USD

	With major projects			Excluding major projects		
	1st S.'11	**1st S.'12**	Var. (%)	1st S.'11	**1st S.'12**	Var. (%)
Export of goods (+)	1,791	**1,854**	4%	802	**718**	-10%
Import of goods (-)	2,607	**2,541**	-3%	1,879	**1,568**	-17%
Services exported (+)	324	**295**	-9%	324	**295**	-9%
Services paid (-)	688	**1,120**	63%	480	**674**	40%
Remun. of factors received (+)	96	**66**	-31%	96	**66**	-31%
Remun. of factors paid (-)	221	**151**	-32%	79	**116**	47%
Transfers from abroad (+)	496	**369**	-26%	496	**369**	-26%
Transfers to abroad (-)	68	**120**	76%	51	**79**	55%
Current transactions balance	-877	**-1,348**	54%	-771	**-989**	28%

Source: Banco de Moçambique.
Note: 1st S.'12 corresponds to the first semester of 2012 and 1st S.'11 to the first semester of 2011.

The investment flow has increased, especially in the extractive industry sectors, in particular coal. If we also consider the discovery of gas reserves in the Rovuma Basin, the increased direct foreign investment has been instrumental to finance the current deficit and higher foreign exchange reserves.

The available data [10] indicates that over the first semester of 2012 the financial flows with the rest of the world reached a net entry of 969 million USD, corresponding to an increase of 139 million USD in relation to the same period of the previous year.

During the period under review, direct foreign investment stood at 833 million USD, with 73% being explained by the large-scale projects in the mineral and gas extraction sectors. Regarding the sectorial distribution of foreign investment [11], excluding the megaprojects, the most important areas are the manufacturing industry (36 million USD) and transport (17 million USD).

In terms of the value of the net international reserves, the balance recorded in December 2012 was 2.7 billion USD [12], equivalent to coverage of 5.8 months of imports of non-factorial goods and services.

PUBLIC ACCOUNTS

The State Budget for 2012 estimated total funds of the value of 163 billion Meticais, of which approximately 40% correspond to funds derived from abroad.

Funds derived from abroad consist of 34.7 billion Meticais of donations and 29.6 billion Meticais of loans. Up to June 2012, the degree of realisation of revenue by the State stood at 46%, in contrast to external funds, which showed a realisation level of 23%, greatly below the expected value.

In general, during the first six months of 2012, the funds corresponded to the equivalent of 36% of the annual budget. On the expenditure side, operating costs, with a weight of 67% of the annual budget, showed a realisation level of 46% in June. On the other hand, the realisation level of investment was merely 26%, influenced primarily by the internal component, which reached a realisation level of 19%.

In general terms, it is estimated that, in 2012, the deficit should have reached 16.1% of GDP, in a situation where external dependence fell to 39.5%, and the coverage of expenditure by internal funds reached approximately 60.5%.

The following challenges are presented to the overall programme:

(i) Maintenance of priority expenditure, in particular the creation of conditions to stimulate national small and medium-sized enterprises, the promotion of domestic private investment and direct foreign investment, and the strengthening of energy and transport infrastructures [13];

(ii) Compliance with the non-concessional financing ceiling negotiated with the IMF at 1.5 billion USD (after having been 900 million USD);

(iii) Good use of the natural resource boom to increase fiscal revenue to offset the gradual reduction of donations;

(iv) Maintenance of coherence between fiscal policy and monetary policy.

According to the plan approved by the Government [14], the forecasts for 2013 indicate that economic growth should reach 8.4% and average inflation should be 7.5%, in a scenario where it is expected that exports will increase to 3.5 billion USD (+14% in relation to 2012).

This scenario is based on a strong increase of investment flows in the energy, infrastructure and agro-processing sectors, leading to increased net international reserves to levels close to 2.7 billion USD, corresponding to 4.8 months of import coverage.

(10) Banco de Moçambique, *Conjuntura Económica e Perspectivas de Inflação*, October 2012. Recent data point to 1.4 billion USD of net entries in the first nine months of 2012 (End of the Year Speech of the Governor of Banco de Moçambique).
(11) In relation to the first semester of 2012.
(12) Monetary Policy Committee of Banco de Moçambique of 11 January 2013.
(13) State Budget Proposal for 2013, September 2012.
(14) Economic and Social Plan Proposal for 2013.

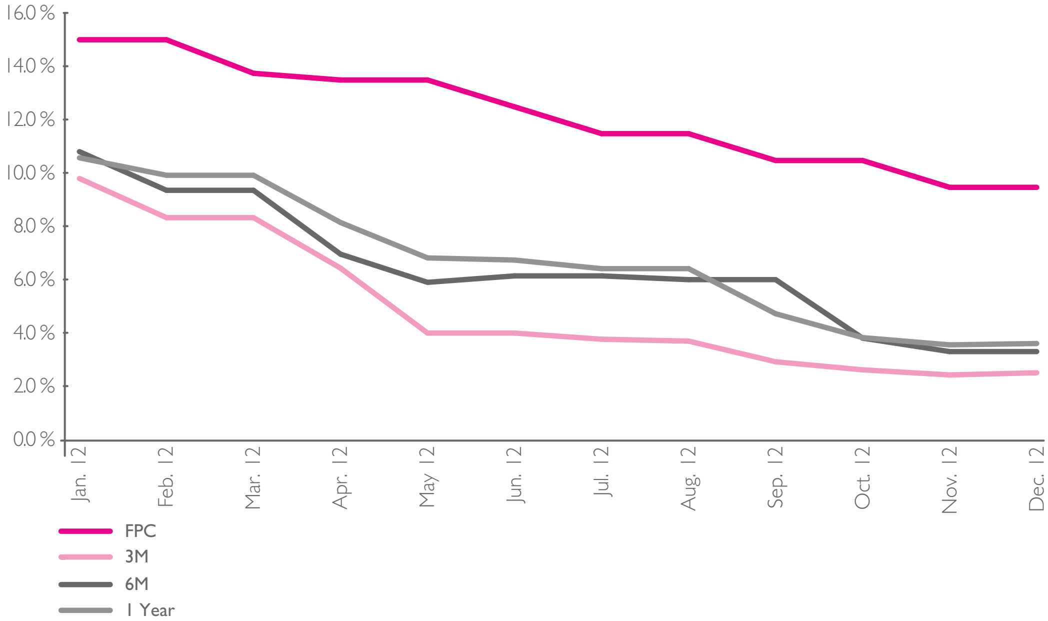
3. MOZAMBICAN FINANCIAL SYSTEM

The control of the inflation rate, which reached historically low values, led to the maintenance of the monetary system started in the second semester of 2011, embodied in the reduction of interest rates in the Mozambican market.

During 2012, Banco de Moçambique decided to revise its intervention rates in the Interbank Monetary Market, having carried out six cuts in the rate of the Permanent Assignment Facility (FPC) by 550 b.p., to 9.5%, and four reductions to the rate of the Permanent Deposit Facility (FPD) by 275 b.p., to 2.25%, maintaining the expansionary monetary policy implemented as of the second semester of 2012.

These measures were reflected in a reduction of the spread between the corridor of the main intervention rates of Banco de Moçambique and constituted a clear sign of support to credit expansion and economic growth.

REFERENCE RATES



Furthermore, Banco de Moçambique substantially reduced the issue of Treasury Bills, as well as the interest rate of new securities across all maturities, which increased the need of the banking system to resort to the Permanent Deposit Facility in order to invest surplus liquidity.

The surplus liquidity in the financial system, in line with the lower offer of Treasury Bill auctions, was also reflected in the liquidity exchange rates in the Interbank Monetary Market, which fell by approximately 698 b.p., to 4.13%.

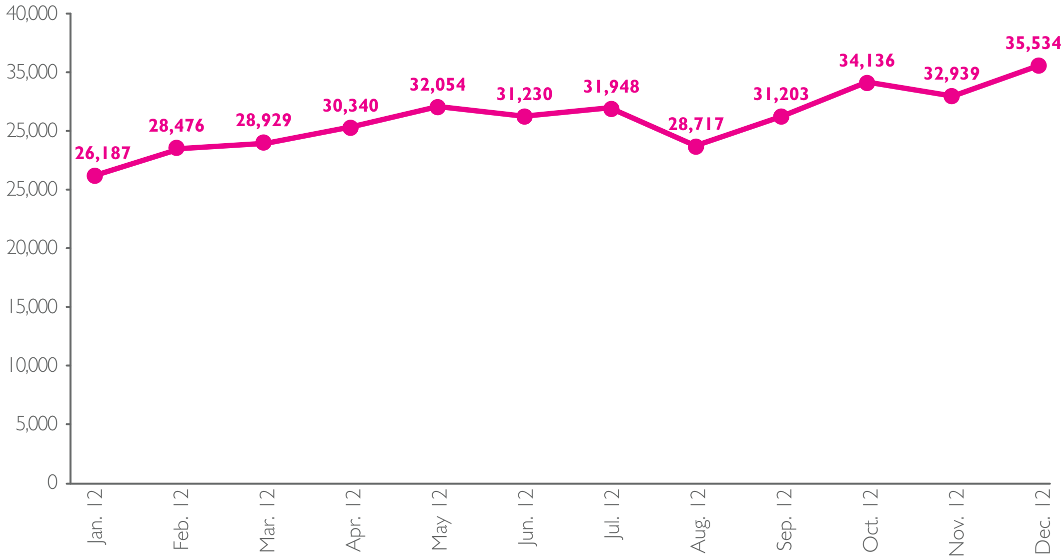
These factors (cuts in interest rates and reduction of Treasury Bill issues) were reflected negatively on the net interest income of the banking system.

It is also important to note that in mid-2011, the spread between the FPC and Interbank Monetary Market (MMI) was practically squeezed dry. Since then, as of the first cut of rates, there has been a substantial widening of the spread, which stood close to 700 b.p. at the end of 2012.

During the year, the Mandatory Reserve rate was revised downwards, three times consecutively, having shifted from 8.75% to 8.00%. This effect of this reduction was to increase liquidity in the system.

LIQUIDITY OF THE SYSTEM

Thousand MZN



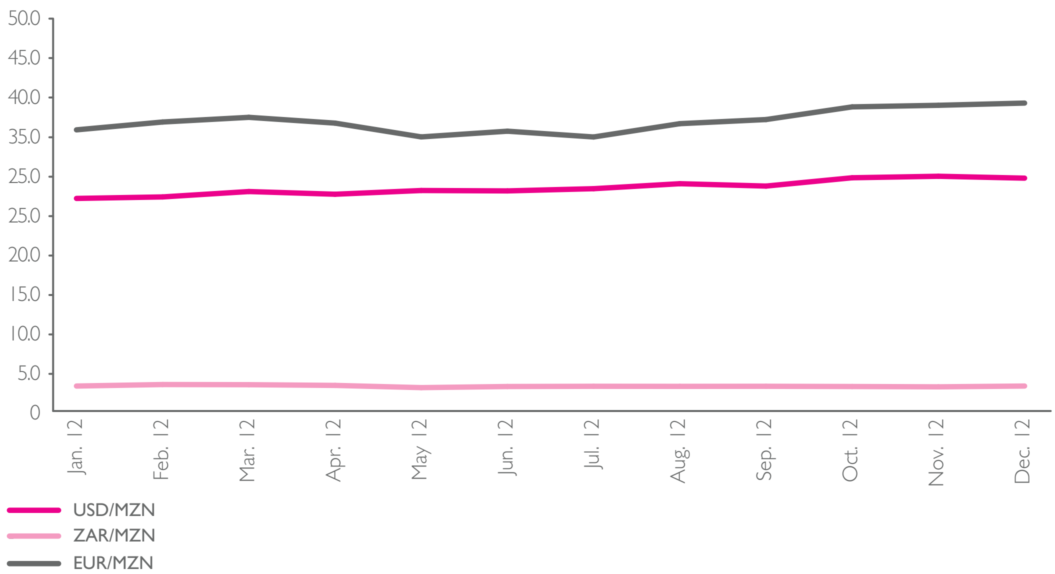
According to data published by Banco de Moçambique, in December 2012, the total deposits of the system stood at 176,044 million Meticais and credit reached 122,419 million Meticais, which implies a loan-to-deposit ratio of 69.5%, hence approximately 645 b.p. lower than the same period of the previous period.

During 2012, the State issued the 2012 Treasury Bonds, to the value of 3,150,112,400.00 Meticais, with 3-year maturity. Various Commercial Paper issues were also carried out on the Mozambican financial market. One of the main issuer entities was Petromoc, with an issue to the value of 1,300 million Meticais and 1-year maturity.

2012 was also marked by a devaluation of the Metical relative to the main international currencies. From December 2011 to December 2012, the Metical devalued by around 8.93% relative to the USD, 3.86% relative to the Rand and 11.23% relative to the Euro. At the end of December 2012, the exchange rates of these three currencies reached the levels of USD/MZN 29.75, ZAR/MZN 3.50 and EUR/MZN 39.23, respectively. This devaluation was mainly due to the increased importing of fuel, as well as other consumables.

EVOLUTION OF THE MAIN CURRENCIES

MZN



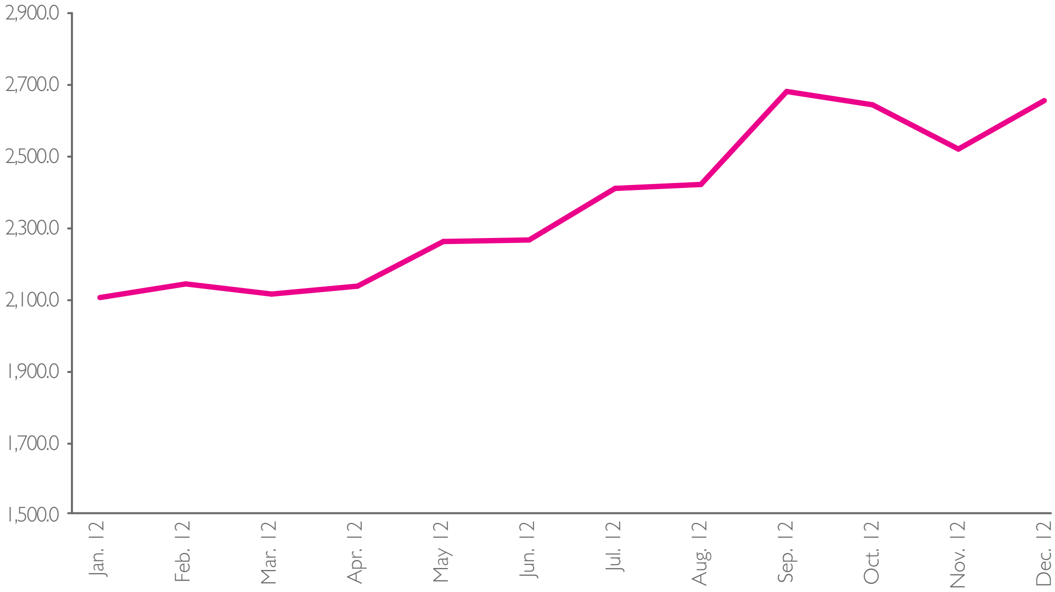
The previous graph illustrates the exchange rate variations of the Metical relative to the main currencies traded in the Mozambican financial system. It is important to note that, in general, Banco de Moçambique assured the total sale of foreign currency for the settlement of the invoices related to the import of the country's fuel (oil syndicate) in order to attenuate the volatility of the Metical and reduce the uncertainties faced by economic agents. Occasionally, the commercial banks also participated in intermediation operations for the purchase and sale of foreign currency for the operations of the oil syndicate.

According to the Central Bank, in the month of December 2012, the preliminary balance of net international reserves stood at 2,656 million USD, approximately 126 million USD above the target established for the period.

In 2012, Banco de Moçambique placed approximately 743 million USD on the foreign exchange market and acquired 133 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 a coverage of imports of non-factorial goods and services corresponding to almost six months.

EVOLUTION OF THE BALANCES OF LIQUID INTERNATIONAL RESERVES 2012

Million USD

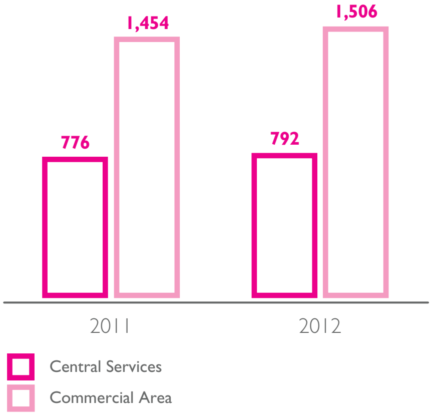


ACTIVITIES OF MILLENNIUM BIM

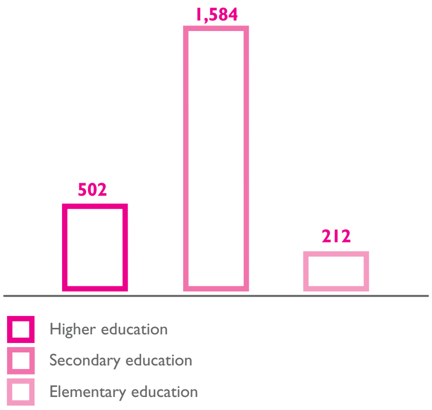
EMPLOYEES

NUMBER OF EMPLOYEES

Area of activity



ACADEMIC QUALIFICATIONS OF THE EMPLOYEES



Since 2012 was the "Peoples' Year", Millennium bim pursued its policy of continuous supervision of the Employees, increasingly seeking their development and fulfilment, both personal and professional.

With a view to adjusting the internal tools to the requirements of good "People management" and fostering greater interaction between the Employee and senior staff, the counselling and assessment process was entirely remodelled, with the introduction of the SAID (Individual Performance Assessment System).

The SAID is based on the principle of the recognition of merit, as well as creating formal occasions, throughout the year, for dialogue between the participants, it creates conditions for the assessment to be based on transparent factors such as the level of accomplishment of the objectives defined annually by both parties.

The concern with the quality, quantity and diversification of the training actions, another fundamental pillar in the management of people, was reflected in the:

(i) Launch of training through e-learning, where 6,672 courses on various subjects were successfully completed;

(ii) Implementation of 10 internships in Portugal and 23 training actions in other African countries;

(iii) Participation of 950 Employees in the Sales Stimulation actions;

(iv) Involvement of 42 Employees, from 19 different Areas, in "Training of Trainers".

Seeking to meet the continuous need of growth of the branch network, determined by the market, 68 new Employees were recruited, with their final number for 2012 standing at 2,298.

The improved interaction, via intranet, between the Employees and the Bank took place through the launch of the People portal which provides links to topic of professional, training, informative and cultural nature.

MILLENNIUM NETWORK IN MOZAMBIQUE

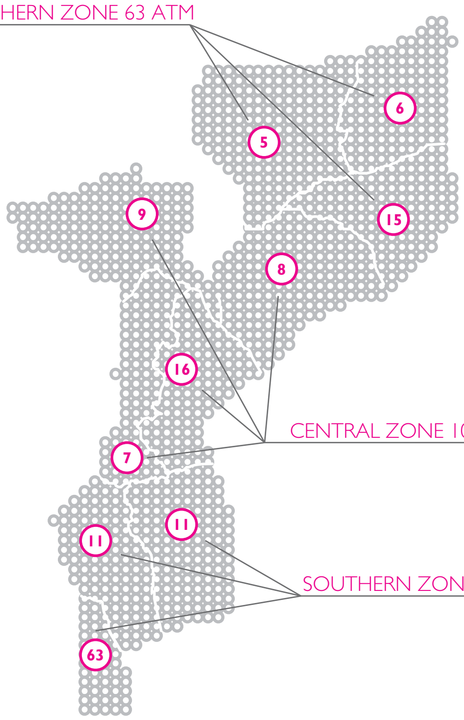
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

	'12	'11	'10	VAR. % '12/'11
Northern Zone	**26**	27	20	8.3%
Central Zone	**40**	36	32	11.1%
Southern Zone	**85**	78	74	9.0%
	151	**138**	**126**	**9.4%**

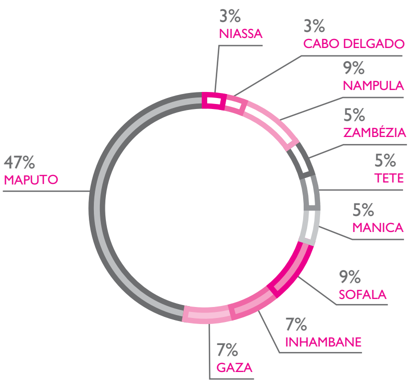
ATM NETWORK

PRESENCE IN THE PROVINCES



1,173 THOUSAND CUSTOMERS

DISTRIBUTION BY PROVINCE



REMOTE CHANNELS AND SELF-BANKING

NUMBER OF CONTRACTS

Coverage	Internet	Call Centre	Mobile Banking	POS
Northern Zone	5,734	19,649	63,873	304
Central Zone	15,581	58,390	121,210	604
Southern Zone	45,867	97,342	376,308	3,150
	67,182	**175,381**	**561,391**	**4,058**

ANALYSIS OF THE BUSINESS AREAS

Positioned as a universal bank with strong knowledge of the market, Millennium bim confirmed its leadership with a sustained value proposition in three areas: (i) the implementation of a strategy of segmentation for its portfolio of over 1,170,000 Customers; (ii) the launch of innovative products and services in order to meet Customer needs and expectations and (iii) the continued expansion of its network of branches, contributing to increase the participation of the population in the banking sector in Mozambique.

Pursuing its tradition of meeting the standards required by its Individual and Company Customers, Millennium bim continued to present innovations on the market, both in the area of new products and services, and in terms of new tools to improve the service provided to the Customer and sales support, namely through the introduction of the following solutions: (1) Milleteller – teller service platform for Customers which has enabled improvements in the efficiency and quality of attendance of Customers at the branches; (2) Milledesk – a support tool for the commercial areas enabling deeper relations with Customers, especially during marketing campaigns; (3) MilleMis – a management information application, which enables internal users to get to know their portfolio of Customers and understand the variations occurred in terms of balances for the respective products placed or to be placed.

INNOVATION IN 2012

Individual Customers now have a Health Savings Plan (PPS), a term deposit with total flexibility, which enables monthly savings programmed by the Customer, where the automatic monthly entry may be changed at any time, as well as the submission of occasional reinforcements. The PPS has a free component of support to the health expenses of the holder, personal accident insurance with coverage of medical expenses, death or permanent invalidity and funeral expenses, as well as the right to take two annual malaria screening tests.

The Visa Advantage Programme has enriched the Bank's offer of credit cards, providing Millennium bim Customers with benefits and discounts when making payments with their Visa card in shops participating in the Programme.

In turn, the launch of the Fuel Card has facilitated the payment of fuel expenses, as well as their respective management, through a prepayment component accessible via Internet and Mobile Banking.

The Bank has also introduced, in partnership with the Tax Authority of Mozambique, payments via One-Stop Electronic Window, enabling Foreign Trade operators to settle their customs payments linked to customs clearance, through various channels of the Bank.

Direct Cash, introduced in 2012, enables companies to identify the payments received from their debtors through consultation of their demand account, and provides automatic integration/reconciliation tools that operate with the Company's invoicing system. Direct Cash, through a simple agreement with Millennium bim, thus places the entire Mozambican banking system at the disposal of the participant companies for the collection of bills.

Lastly, the Bank has also launched Confirming, an innovative and unique service on the market which permits the management of the payments of the Company Customers of Millennium bim to their respective suppliers, enabling cash advances to the latter.

BUSINESS SEGMENT ACTIVITIES

RETAIL SEGMENT

The availability and access of the distribution channels in a universal Bank such as Millennium bim, which has a strong component of its business in retail banking, is absolutely vital, hence the opening of more branches all over the country, in different geographic areas and with differentiated opening hours, is essential to strengthen the offer of products and services, in a manner that is increasingly more encompassing, more attentive and available. Convenience and proximity are, undoubtedly, distinctive and essential factors which are intended to be maintained for this segment. Of the 15 branches opened in 2012, 14 belong to the retail network, thus once again demonstrating the Bank's focus on increasing the participation of the country's population in the banking system.

PRESTIGE SEGMENT

During 2012, the Bank introduced a new value proposition for the Prestige segment, where the Customer's requirements and needs imply differentiated and specific attendance. In addition to the 15 spaces created with a distinctive design and aesthetics, for the comfort and convenience of the Prestige Customer, the offer for this segment includes innovative and differentiated value propositions, both for Individuals and Companies.

The respective propositions offer not only a personalised service through the existence of dedicated Customer Managers, but also a series of advantages such as debit and credit cards, insurance offer and differentiated prices in view of the Customer's involvement with the Bank.

CORPORATE AND INVESTMENT BANKING

In 2012, the division of this network in geographic zones, South, Centre and North, enhanced the dynamics of support to the business segment, adding proximity to the high level of technical and behavioural skills and professionalism of the Customer Managers. This greater capillarity has intensified the Bank's contact with its Customers, towards meeting Customer needs and expectations.

The high standards of service quality, full competence in all the products and services offered by the Bank, total availability in the identification, analysis and search for tailor-made solutions for its Customers, constitute the strategic areas of this network.

The Bank provides advisory and Investment Banking services to companies of various activity sectors, in the context of strategic development and risk analysis processes, and also offers specialised support to investment project promoters, in project-finance operations and in the primary capital market.

MAIS PARA SI

MAIS PARA TODOS

PLANO POUPANÇA SAÚDE

EM LEASING É MAIS FÁCIL

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

SUBSIDIARY COMPANY

During 2012, Seguradora Internacional de Moçambique (Insurer) strengthened its commercial action at its branches, as well as with the main market brokers. At the same time, the Insurer continued to favour the use of the Group's synergies through a cross-selling strategy aimed at stimulating the sale of insurance at Millennium bim branches. For this purpose, special subscription conditions were created for the Prestige network and a page provided on the corporate portal with information on the insurance marketed, endowing the commercial branches with effective sales support tools and processes.

During 2012, Seguradora Internacional de Moçambique recorded a positive evolution of processed revenue which reached the value of 1,395 million Meticais, representing growth of 3.7% relative to December 2011.

This increase was due to the contribution of the Real branches with growth of 10.7% year-on-year, arising from the entry of new business into the portfolio, in the Motor Vehicle, Fire, Occupational Accident and Personal Accident branches.

The Motor Vehicle branch continued to be the most important, representing 38.2% of the total processed revenue of the Real branches. However, the Fire branch stood out due its strong growth (116%) relative to 2011, fundamentally explained by the reinforcement of gas prospecting insurance whose premiums quadrupled in relation to the previous year. In view of the specificity and complexity of this insurance, it was necessary to place it on the reinsurance market (fronting), which increased our assignment ratios.

The net collection for the period grew at a rate of 5% in a context of notable difficulties arising from the economic and financial circumstances of the market, with the average collection period having stood at 23 days (22 days in 2011).

The net income of Seguradora Internacional de Moçambique was 392 million Meticais, in line with the net come for the same period of 2011, maintaining its leadership of the insurance market, in spite of the reduction of the profitability of the investments due to the significant decrease of interest rates on the market.

2012 was a notable year for Seguradora Internacional de Moçambique, not only due to the commemoration of its 20 years of activity, but also due to the distinction made by KPMG in the 14th edition of the magazine *The 100 Largest Companies of Mozambique*, which considered the Insurer as the third best Mozambican company in 2011.

BANKING SERVICES

ELECTRONIC BANKING

The services provided through electronic banking are a fundamental part of the commercial strategy of Millennium bim, which saw its position of leadership strengthened in the provision of automatic means of payment, having expanded its network of ATM and POS.

In 2012, Millennium bim continued its plan to reinforce and rejuvenate the ATM network, with equipment containing the most recent technologies in terms of safety, thus ensuring the provision of services to Customers with high standards of quality and in a safer environment. The 40 new units correspond to an increase of 12% of the network, year-on-year, conferring greater availability and capacity to provide cash. It should be noted that the number of transactions surpassed 70 million, representing growth of 8% compared with the same period of the previous year.

In view of the growing requirements of its Customers, Millennium bim has increased the diversity of alternative channels available and has introduced improvements in the electronic banking functionalities and offer of products and services through new models, as well as through computer developments, optimising the management processes and efficiency of the means of payment offered to its Customers.

The stimulation of the POS as an automatic means of payment led to strong growth in the number of units spread over the Mozambican territory. By the end of 2012, the number of POS reached 4,058, which corresponds to growth of 34% when compared to the previous year.

With the introduction of the FUEL card, an exclusive means of payment for fuel supply expenses, Millennium bim complemented its offer of products, meeting the needs, in particular, of motor vehicle fleet managers.

In terms of cards issued, Millennium bim continues to be a reference on the market, with the circulation exceeding 1,000,000 cards.

Millennium SMS is another service which should be highlighted in the telephone banking channel, having recorded significant growth in terms of number of participants (116 thousand new Customers), which represents an increase of 25% relative to 2011. The volume of transactions through Millennium SMS increased by 28% with over 8 million operations. These growth rates clearly reflect the acceptance of this service by our Customers, who recognise the many advantages offered in terms of convenience, safety, availability and low cost of the transactions.

OPERATIONS AND INFORMATION SYSTEMS

Upholding its tradition of leadership, during 2012, Millennium bim continued to innovate its information systems, always with the underlying objective of providing its internal and external Customers with an excellent service and through the most modern forms of applying IT. This was a year when a closer alignment was achieved between our applications and those already in use in other geographic areas of the Millennium Group.

Millenet, a new Internet Banking solution, was the main project of 2012. This solution, developed in coordination with Millennium bcp and with the participation of various suppliers, expands the series of functionalities at the disposal of Customers, making it differentiating on the Mozambican market.

Another noteworthy IT solution, with various components under production, is MilleDesk. This sales support tool enables the commercial areas to deepen their relations with Customers, especially during marketing campaigns, making the Bank closer to its Customers.

It was during the year under review that the Bank provided yet another powerful management tool, MilleMIS, to its internal users. This user-friendly application enables the Employees to get to know their Customer portfolio in detail and understand the variations occurred in terms of balances for the respective products placed or to be placed.

Furthermore, another two platforms were developed with direct advantages for our Customers. The One-Stop Window (JU), a development undertaken in partnership with the Tax Authority to facilitate customs clearance, allows foreign trade operators to manage and settle customs expenses in real time through the different channels offered by the Bank. Another IT solution facilitates the collection of corporate levies and the payment of social security contributions.

Other fundamental applications supporting business which underwent structural improvement as well as upgrades, include, inter alia:

- Workflow and credit simulator – with the introduction of new functionalities and redefinition of the credit concession criteria;

- Workflow for management of factoring and confirming businesses – a new application which allows the Bank to complement its offer of products to large companies, especially of the Corporate segment.

For 2012, considered the "People's Year", a tool called Millepédia was also developed. Through this tool, any Employee, when faced with an unfamiliar banking concept, can rapidly obtain the explanation of the respective concept.

RISK MANAGEMENT

RISK OFFICE

During 2012, the risk management and control activities assumed particular relevance, under the very 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 reporting – both external and intern – on the different types of risk incurred by Millennium bim, as a result of the development of its business. These duties are placed under the Bank's strategic objectives relative to improving solidity and confidence, apart from also being included in an effective manner in the Group's internal control framework. Therefore, the activity developed by the Risk Office continued to contribute in a relevant form 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 the efficacy of the policy of collection of non-performing loans and the better and higher collateralisation of loans – above all, amongst large debtors.

RISK MANAGEMENT

As a component of the Bank's internal control system and a fundamental vector for the sustainability and development of the business, the Risk Management function continued to assume particular importance, in a context of the maintenance, during 2012, of difficult worldwide economic and financial conditions.

In addition to seeking to protect business profitability through the definition of concrete policies and guidelines for the control of various risks to which Millennium bim is exposed, Risk Management also proactively promotes the implementation of metrics and instruments for the assessment and delimitation of risks.

In 2012, the Risk Management function continued to assume responsibilities related to compliance with the internal and reporting provisions – both internal and external – relative to the measurement and assessment of these risks.

HIGHLIGHTS OF THE ACTIVITY

The main activities developed during 2012 in the area of risk management and control, as well as their respective reporting, were as follows:

- Consolidation of the mechanisms and instruments for the management of Credit, Liquidity, Interest Rate and Operating Risk, promoting and coordinating the actions which ensure the efficacy of the policies not only on the collection of non-performing loans and the 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 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 the better assessment of operating risk, through the consolidation of the Risk Self-Assessment process, which is already in its third year of operation;

- Ongoing updating of the manuals and internal regulations relative to risk control, in particular the documentation related to Risk Management Principles and Standards;

- Ongoing intervention in terms of risk management policy – especially the loan strategy aimed at the continuous improvement of loan recovery;

- Updating of the Probability of Default (PD) coefficients of the Bank's loan portfolio by product (Mortgage, Leasing & ALD (long-term rental), Consumption and Other) as well as the expected Loss Given Default (LGD) coefficient and Parameter Tree coefficients used by the Bank's Impairment Model;

- Development of the calibration process of the Impairment Model used at Millennium bim;

- Development of the calibration process of the Rating and Credit Scoring models used at Millennium bim, through the calculation of the central trends of the probability of default by business segment (Individuals, Sole Proprietorships (ENI), Small and Medium-sized Enterprises);

- Implementation of the interface between the TRIAD (Credit Scoring Model used at the Bank) and the credit workflows, enabling the viewing, by the commercial managers, of the risk degrees and respective TRIAD limits of Customers, when loading loan proposals in the respective workflows;

- Implementation of an internal warning signal model (Early Warning Signal – EWS). Millennium bim developed a workflow for the collection and treatment of qualitative warnings and quantitative negative warnings. This instrument constitutes the embryo for the future EWS model of Millennium bim. A mechanism has been developed for the definition and monitoring of action plans which will enable decision-making on the measure to be adopted in order to mitigate credit risk for a given Customer with negative warnings;

- Consolidation of the Discounted Cash Flow Method, aimed at providing a reliable estimate of the times of occurrence of the recovery flows of credit operations of individually significant Customers, through the calculation of possible deviations of financial flows from the plan initially agreed with the Bank, determining the respective expected percentage loss, thus improving the impairment calculation model of the loan portfolio, in the light of the requirements of IAS 39 on this matter;

- Preparation of regular reports for the Risk Control Committee and Audit Committee, in accordance with the meeting dates and frequency of these Bodies Supporting the Management of Risks of the Bank;

- Collaboration 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.

GOVERNANCE OF RISK MANAGEMENT

The risk policy and management of Millennium bim 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, which delegates the following to the Risk Control Commission:

- The follow-up and control of overall risk levels (credit, market, liquidity and operating risks), ensuring that these are compatible with the objectives, available financial resources and strategies approved for the development of the Bank's activity;

- The management of assets and liabilities, and definition of the Bank's liquidity management strategies;

- The structural management of liquidity risks, including the monitoring of the process of implementation of the liquidity plan.

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.

Also concerning risk management, the Board of Directors of Millennium bim created the Audit Committee, which, in collaboration with the Risk Control Commission, ensures the existence of appropriate risk control, supported by the existing risk management systems at the level of the Bank.

ECONOMIC CAPITAL

The internal capital adequacy assessment process constitutes, for Millennium bim, an important step in the achievement of the 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 the 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 the needs of economic capital to the financial resources available in order to assess the Bank's capacity to absorb risk, which enables an economic perspective of capital adequacy, also making it possible to identify activities and/or businesses that create value.

Bearing in mind the nature of Millennium bim's core business in the markets in which it operates (Commercial Banking), the main risks considered are the following:

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

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

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

TYPE OF RISKS OF MOST MATERIAL RELEVANCE AT MILLENNIUM BIM AND RESPECTIVE ASSESSMENT MEASUREMENTS

TYPES OF RISK	SUBCATEGORY	MEASUREMENT
Credit risk		Model for determination of loan portfolio impairment
Market risk	Interest rate	Interest rate risk gap & sensitivity analysis
	Exchange rate	Model based on net currency position by currency (net open position) & sensitivity analysis
Liquidity risk		Maturity gap model & stress tests
Operating risk		KRI – Key Risk Indicators

In 2013, 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 (interest rate) and operating risks, introducing methodologies for the valuation of risk weighted assets which should be incorporate in the calculation of the Solvency Ratio.

MONITORING AND VALIDATION OF MODELS

The validation of the calibration processes 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 ensures 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 2012, 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 2012, 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 the management of Liquidity Risk.

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.

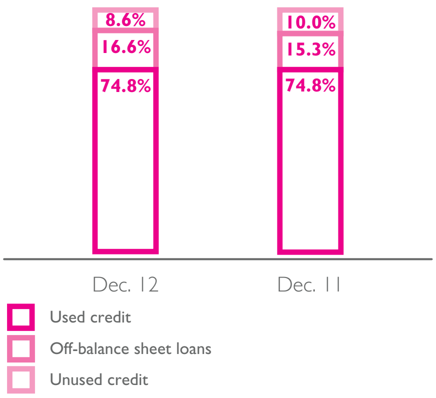
The control and mitigation of this risk are carried out, on the one hand, through a solid structure of risk analysis and assessment, using internal rating systems suited to the different business segments and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the situations of default that have already occurred.

During 2012, 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 the operations and lower concentration of credit exposure;

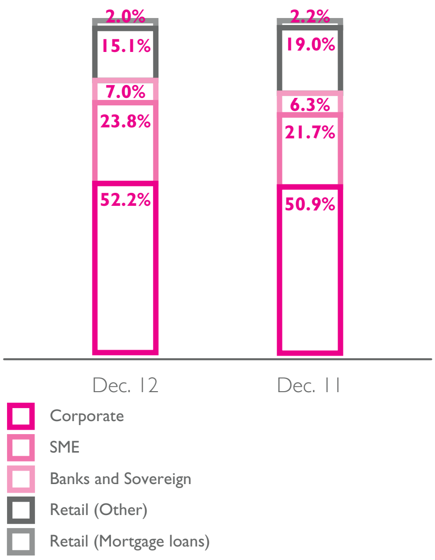
STRUCTURE OF THE LOAN PORTFOLIO

(comparable basis)



BREAKDOWN OF THE LOAN PORTFOLIO

(comparable basis)



- Implementation of significant improvements in terms of management information supporting Individual Analysis and the calculation of the Loss Given Default (LGD) coefficients in a scenario of robust evolution and consolidation of the Loan Recovery Support Centre created in 2011 at the level of the Credit Recovery Department;

- Implementation of mechanisms for the collection, treatment and analysis of credit information by segments and activity sectors, 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.

COMPOSITION OF THE LOAN PORTFOLIO

The structure of the loan portfolio of Millennium bim at the end of 2012 – in nominal and overall terms (i.e. covering Balance Sheet and off-Balance Sheet exposure), as illustrated by the graphs beside – showed no significant changes compared to the portfolio of December 2011.

The breakdown of overall credit exposure in terms of segments of exposure, in view of the rules of Basel II, is presented by the figure of Breakdown of the loan portfolio.

CALCULATION OF ECONOMIC CAPITAL FOR CREDIT RISK

Economic capital for credit risk is calculated by using an actuarial portfolio model, developed internally, which provides an estimate for 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 to be incorporated and the volatility of these parameters. Furthermore, it also considers credit risk diversification/concentration effects. The contribution of each sector or exposure to total risk is shown in the overall analysis presented in the table below.

Million MZN

			DECEMBER 12			DECEMBER 11			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	6,843	1,124	16.4%	7,065	1,066	15.1%	-222	58	-3.1%	5.4%
		PARAMETRIC ANALYSIS	1,556	1,158	74.4%	1,361	1,025	75.3%	195	133	14.3%	13.0%
	LOAN PORTFOLIO WITH NO SIGNS OF IMPAIRMENT	INDIVIDUAL ANALYSIS IN COLLECTIVE	30,664	561	1.8%	28,421	513	1.8%	2,243	48	7.9%	9.4%
		COLLECTIVE WITH NO IND. ANALYSIS	15,154	289	1.9%	11,714	221	1.9%	3,440	68	29.4%	30.8%
		TOTAL	54,217	3,132	5.8%	48,561	2,825	5.8%	5,655	307	11.6%	10.9%

In December 2012, the economic capital associated to credit risk grew by 10.9% compared to December 2011. This increase arises from the significant increase of the exposure of the loan portfolio of Customers without signs of impairment (collective impairment segment). Indeed, in December 2012 the loan portfolio without signs of impairment grew by approximately 14.2% relative to December 2011 and the corresponding credit impairment loss recorded growth of 15.8%.

Therefore and, as shown in the previous table, the increase of economic capital associated to credit risk was not due to increased non-performance of the Bank's loan portfolio, but rather the outcome of higher loan impairment losses to cover general risks, arising from the significant increase of the Bank's turnover on matters of credit. Moreover, the volume of exposure of loans with signs of impairment recorded a reduction of around 0.3% in December 2012, corresponding to a decrease of 27 million Meticais (8,399 – 8,426) relative to the same period of the previous 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.

Concerning interest rate risk, the assessment is made based on the constructed gaps by repricing residual periods of outstanding contracts and the position for the main currencies of importance in the Bank's activity (Meticais and USD) reported as at 31 December 2012 and 31 December 2011, and is portrayed by the following tables:

INTEREST RATE GAP FOR THE BALANCE SHEET (MZN)

MZN' 000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 December 2012					
Assets					
Cash and deposits at Banco de Moçambique	2,913,662	745,203	1,497,046	935,046	-
Deposits in other credit institutions	-	-	-	-	-
Investments in credit institutions	7,469,600	-	-	-	-
Loans to Customers (*)	19,584,054	7,724,894	667,699	1,517,143	-
Financial assets available for sale	1,530,000	2,867,183	3,380,476	-	-
Other assets	-	-	-	-	-
Total Assets	31,497,315	11,337,280	5,545,221	2,452,189	-
Liabilities					
Deposits of other credit institutions	57,353	-	-	-	-
Customer deposits (**)	9,408,375	7,365,410	14,796,439	8,996,044	-
Debt securities issued	1,000,000	16,250	-	-	-
Subordinated liabilities	-	-	260,000	-	-
Other liabilities	-	-	-	-	-
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 gap	21,031,587	24,987,208	15,475,990	8,932,135	-
Accumulated sensitivity	202,990	235,953	180,062	-	-
31 December 2011					
Total Assets	28,593,349	6,839,264	8,961,666	604,001	-
Total Liabilities	11,936,807	7,227,562	12,270,425	5,413,300	-
Interest rate risk gaps	16,656,541	(388,298)	(3,308,759)	(4,809,299)	-
Accumulated interest rate gap	16,656,541	16,268,243	12,959,484	8,150,185	-
Accumulated sensitivity	160,343	155,440	130,266	-	-

(*) Net loans.
(**) Includes Treasury Products (TB Secondary Market = 589,250 thousand MZN).

INTEREST RATE GAP FOR THE BALANCE SHEET – USD

MZN' 000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 December 2012					
Assets					
Cash and deposits at Banco de Moçambique	380,777	-	-	-	-
Deposits in other credit institutions	874,058	-	-	-	-
Investments in credit institutions	2,328,741	297,500	4,165	-	-
Loans to Customers (*)	3,598,080	2,178,395	687,259	2,614,944	-
Financial assets available for sale	-	-	-	-	-
Other assets	-	-	-	-	-
Total Assets	7,181,655	2,475,895	691,424	2,614,944	-
Liabilities					
Deposits of other credit institutions	5,217	-	-	-	-
Customer deposits	3,311,800	2,043,391	3,089,263	4,224,970	-
Debt securities issued	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	-	-	-
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 gap	3,864,638	4,297,142	1,899,303	289,277	-
Accumulated sensitivity	29,426	33,030	18,875	-	-
31 December 2011					
Total Assets	7,898,347	3,551,617	461,730	54	-
Total Liabilities	2,055,749	2,323,549	2,488,540	3,525,538	-
Interest rate risk gaps	5,842,598	1,228,068	(2,026,810)	(3,525,484)	-
Accumulated interest rate gap	5,842,598	7,070,667	5,043,857	1,518,373	-
Accumulated sensitivity	56,918	67,152	54,907	-	-

(*) Net loans.

The assessment of the 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 2012, the sensitivity to the interest rate of the balance sheet, simulating a parallel shift of the yield curves of 1 percentage point, shows values of 180,062 thousand Meticais and 18,875 thousand Meticais for the currencies in which Millennium bim holds most significant positions, respectively, Meticais and USD. For 2012, the sensitivity to interest rate risk reached a total of 207,495 thousand Meticais compared with 185,173 thousand Meticais recorded in December 2011, of which 130,266 thousand correspond to the sensitivity of the Metical and 54,907 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 computer 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 2012 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 for the needs of funds stemming 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 Trading 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 2012, 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

The control of the liquidity risk of Millennium bim, for short-term horizons (up to three 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, respectively, three days and three months.

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. The 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 2012, the maturities of the main balance sheet headings were distributed as follows:

TOTAL LIQUIDITY GAP FOR THE BALANCE MZN '000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
31 December 2012					
Assets					
Cash and deposits at Banco de Moçambique	3,559,269	1,101,359	2,001,695	50,601	-
Deposits in other credit institutions	2,517,860	-	-	-	-
Investments in credit institutions	10,599,737	297,500	4,165	-	-
Loans to Customers (*)	5,884,122	3,581,913	1,935,721	9,773,937	18,513,561
Financial assets available for sale	1,530,000	2,867,183	3,380,476	-	-
Total Assets	**24,090,988**	**7,847,955**	**7,322,056**	**9,824,537**	**18,513,561**
Liabilities					
Deposits of other credit institutions	163,127	-	-	-	-
Deposits of Customers (includes Other liabilities)	14,700,687	14,096,197	25,656,994	638,634	-
Debt securities issued	-	-	16,250	1,000,000	-
Subordinated liabilities	-	-	85,000	-	175,000
Total Liabilities	**14,863,814**	**14,096,197**	**25,758,244**	**1,638,634**	**175,000**
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**
31 December 2011					
Total Assets	13,123,820	7,204,119	10,329,071	8,781,675	17,579,442
Total Liabilities and equity	13,067,758	12,381,150	21,376,747	851,237	1,175,000
Liquidity gaps	56,062	(5,177,031)	(11,047,676)	7,930,439	16,404,442
Accumulated liquidity gap	56,062	(5,120,969)	(16,168,645)	(8,238,207)	8,166,236

(*) 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 is considerable stability of the Bank's levels of retention of Demand Deposits. The results of this study 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 one month.

On the other hand, the evolution of the Commercial Gap and Overall Loan-to-Deposit Ratio in the main currency in which the Bank operates are reflected in the following graphs.

From the analysis of the graphs beside, 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.

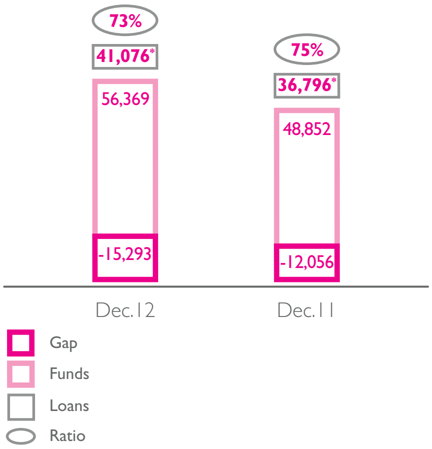
The PCCL also defines a composite indicator of the main parameters identified as advanced indicators of situations of liquidity stress, which might affect the Bank's liquidity situation. This indicator is quantified in the last week of each month and its respective evolution is supervised by the Bank's Risk Control Commission.

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.

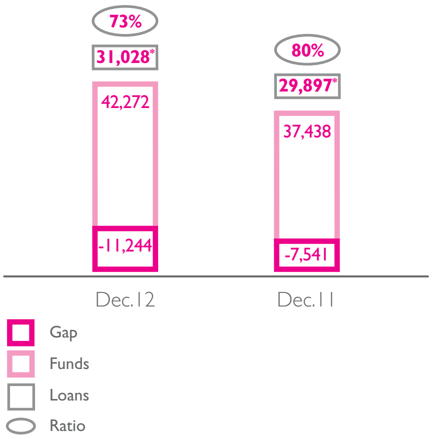
COMMERCIAL GAP AND LOAN-TO-DEPOSIT RATIO (TOTAL)

Million MZN



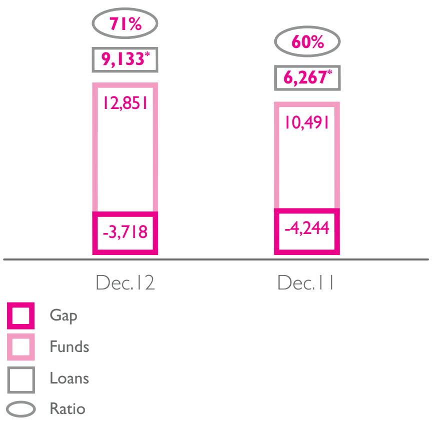
COMMERCIAL GAP AND LOAN-TO-DEPOSIT RATIO (MZN)

Million MZN



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

Million MZN



(*) Gross loans.

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:

- The 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;
- Exception reports;
- Contingency plans;
- Insurance contracting; and
- Internal training on processes, products and systems.

Over 2012, 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 2012, in the main areas of operating risk management, the following were of particular importance:

- Consolidation of the management information database on operating loss events;
- Conduct of new risk self-assessment exercises;
- Definition of risk indicators for the preventative monitoring of the risks of the main processes; and
- More effective incorporation of the information provided by the risk management instruments in the identification of improvements in the mechanisms which contribute to strengthening the control environment of processes.

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 the 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:

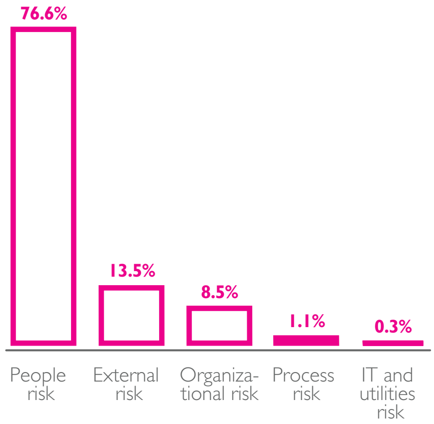
- Approval of the definition of the process files;
- Approval of the institution of new processes, identifying the processes which should have performance measurement (Key Performance Indicators);
- Alignment of the management practices by processes with the reality of structural units involved;
- Ensure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

OPERATING LOSSES

The main objective of gathering data concerning operating loss events is to reinforce the awareness on this type of risk and provide relevant information for the Process Owners to incorporate in the management of the processes.

The graph beside shows the cumulative distribution of operating losses of Millennium bim relative to 2012 by type of cause.

DISTRIBUTION OF LOSS EVENTS BY TYPE OF CAUSE



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 subtypes 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); and
- Determination of the influence of the installed control environment in reducing the level of exposure (residual risk).

The most significant exposures are mitigated through identified corrective measures.

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.

RISK INDICATORS

Key Risk Indicators are measurements which draw attention to possible changes in the profile of risks or effectiveness of their control, enabling the identification of the need to introduce corrective measures which contribute to prevent potential risk.

The use of this management instrument began to be promoted in December 2011, with the selection of the main business process for the identification of KRI to monitor these risks.

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 2011 and 2012, pursuant to the International Financial Reporting Standards (IFRS).

The prospects of moderate global economic growth and economic recession forecast for the economies of the Euro Zone have intensified the risk of financial stability at a global scale, constraining bank activity and profitability, in particular access to medium and long-term funding in debt markets.

In the Mozambican economy, in spite of the adverse economic environment, the key economic and financial indicators continue to evolve in line with expectations, namely the decline of the inflation rate and positive outlook on economic growth.

In this context, Banco de Moçambique has pursued an accommodative monetary policy of stronger stimulus to the expansion of economic activity. This policy led to various interventions over the year both in interbank markets, in order to ensure the expansion of the balance of the monetary base, and in downward revisions of the interest rate of the Permanent Assignment Facility and Permanent Deposit Facility, reduction of the compulsory reserve coefficient, as well as a decrease of the stock of Treasury Bills accompanied by a very significant reduction in the respective interest rates with impact on the yields of the financial assets of banks.

The evolution of the activity of Millennium bim resulted from the existing macroeconomic environment, with the Bank having accompanied the downward adjustment of the rates applied in both lending and borrowing operations, attempting to protect net interest income through the increased volume of operations underlying the business, in order to ensure the adjustment of its credit concession policy with greater requirements of attraction of funds from its Customer base.

The impact of the economic circumstances (squeezing of net interest income) was to some extent mitigated by the business segmentation model (with value proposition for the Prestige segment) adopted, the expansion of the retail network to stimulate commercial activity and the launch of innovative products and services in order to meet the needs and expectations of the Bank's Customers.

Total assets reached 70,647 million Meticais, as at 31 December 2012, compared to 60,889 million Meticais as at 31 December 2011, supported by the growth of net loans to Customers and investments in credit institutions, in spite of the reduction of financial assets held for sale, arising from the lower supply of securities issued by the Mozambican State, in particular Treasury Bills.

Loans to Customers, before the respective impairments, stood at 41,076 million Meticais as at 31 December 2012, compared to 36,796 million Meticais as at 31 December 2011. The growth of credit was driven by loans to companies (+21%), attenuated by the contraction of loans to individuals (-8%), demonstrated in the reduction of consumer credit.

Total Customer funds grew to 56,369 million Meticais as at 31 December 2012, having increased by 15% in relation to the 48,852 million Meticais recorded as 31 December 2011.

Net income stood at 2,975.7 million Meticais in 2012, compared to 3,417.5 million Meticais in 2011. The net income for 2012 reflects the impact of the decline in net interest income, arising from the effect of the reduction of interest rates in spite of the higher turnover, in particular of loans to Customers.

The evolution of net income incorporates, above all, the decline in net operating income, influenced by the lower value of net interest income arising from the higher cost of deposits and especially the reduction of interest from loans to Customers and financial assets held for sale related to the investment in Treasury Bills. However, the positive impact on net operating income as a consequence of the increased commissions and earnings from financial transactions should be highlighted.

On the other hand, the evolution of net income was also influenced negatively by the growth of operating costs, in particular staff costs and other administrative costs related to branch network expansion plan. This impact was partially attenuated by the lower record of allocations for impairments due to the effect of the stability of credit risk.

The aggregate value of equity stood at 8,991 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 21.7%, greatly above that required by Banco de Moçambique.

PROFITABILITY ANALYSIS

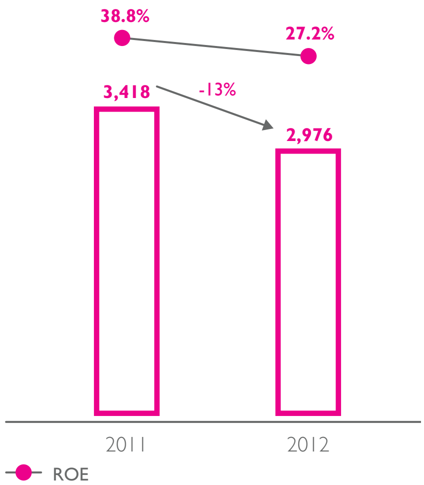
NET INCOME

The net income of Millennium bim reached 2,975.7 million Meticais in 2012, compared with the 3,417.5 million Meticais recorded in 2011, representing a decrease of 12.9%.

The decrease of net income recorded in 2012 was, essentially, due to the lower performance of net interest income, mitigated by the increased net commissions, in particular of the commissions related to the transfer of values, the card business and the provision of credit guarantees, and due to the greater contribution of earnings from financial transactions.

Furthermore, the net income for 2012 also reflects the recording of higher operating costs as a result of the branch network expansion plan underway and the positive impact of lower allocations for credit impairment, due to the stability of credit risk.

NET INCOME
Million MZN



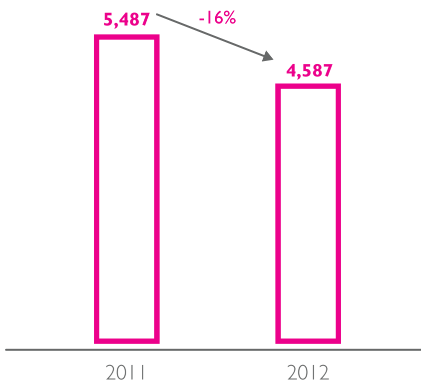
NET INTEREST INCOME

Net interest income declined by 16.4% in relation to 2011, to stand at 4,586.9 million Meticais. This performance was influenced by the unfavourable effect of six cuts in the FPC (Permanent Assignment Facility) of Banco de Moçambique, used as the reference rate in Customer credit operations, which led the banks to undertake various downward adjustments, as well as the abrupt fall in the rates of financial assets, essentially securities issued by the Mozambican State, specifically Treasury Bills and Bonds. The significant reduction in the stock of Treasury Bills caused an increase in the investments in credit institutions at very low remuneration rates.

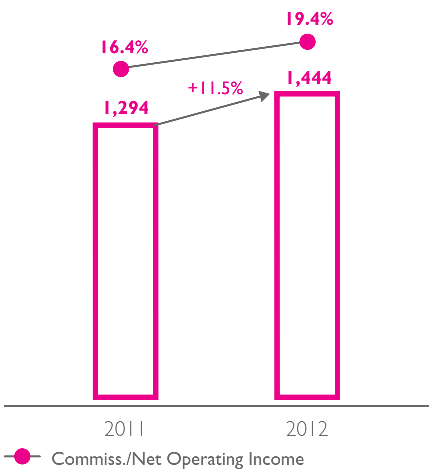
In this context, the decrease of net interest income is explained by the impact of the various cuts in the reference rates of the price of credit, generating an unfavourable interest rate effect in the yield of the loan portfolio, in spite of the favourable volume effect, added to the decreased rates of remuneration of financial assets and greater investments in credit institutions at the absorption rate of Banco de Moçambique.

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, reflecting the priority given to the attraction and retention of Customer funds, through the strengthening of an interesting offer of products at attractive remuneration rates.

NET INTEREST INCOME
Million MZN



NET COMMISSIONS
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 2,872,1 million Meticais as at 31 December 2012, compared with 2,386.1 million Meticais recorded for the same period of 2011.

INCOME FROM EQUITY INSTRUMENTS

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

NET COMMISSIONS

Net commissions stood at 1,443.9 million Meticais in 2012, corresponding to growth of 11.5% in relation to the 1,294.4 million Meticais recorded for the same period of 2012. The increase in commissions was due to the favourable evolution of the commissions more directly related to the banking business, in particular the card business, transfer of values and credit guarantees.

The lower levels of cross-selling, arising from the reduction of consumer credit, were reflected in a 19% decrease of the commissions related to the use of the network in bancassurance operations.

EARNINGS FROM FINANCIAL TRANSACTIONS

Earnings from financial transactions reached 1,016.3 million Meticais as at 31 December 2012, compared to 823.3 million Meticais for the same period of 2011. This increase is related to the higher turnover and participation in the intermediation of the purchase and sale of foreign currency for the settlement of invoices related to the importing of fuel, usually assured by Banco de Moçambique.

OTHER NET OPERATING EARNINGS

Other net operating income reached a total of 204.4 million Meticais as at 31 December 2012, compared to 154.6 million Meticais recorded for the same period of 2011. This figure was, fundamentally, influenced by the earnings gained in the provision of miscellaneous banking services.

OTHER NET INCOME Million MZN

	'12	'11	VAR. % '12/'11
Income from equity instruments	**207.6**	113.8	82.4%
Net commissions			
Cards	**730.6**	612.9	19.2%
Loans and guarantees	**335.2**	328.4	2.1%
Operations abroad	**169.2**	124.3	36.1%
Other banking services	**208.8**	228.8	-8.8%
Total net commissions	**1,443.8**	1,294.4	11.5%
Earnings from financial transactions	**1,016.3**	823.3	23.4%
Other net operating earnings	**204.4**	154.6	32.2%
Total other net income	**2,872.1**	2,386.1	20.4%
Other income/Net operating income	**39%**	30%	

OPERATING COSTS

Operating costs, which incorporate staff costs, other administrative costs, depreciation and amortisation for the year, stood at 3,458.4 million Meticais in 2012, representing an increase of 11.5% in relation to the 3,101.6 million Meticais recorded in 2011.

Million MZN

	'12	'11	VAR. % '12/'11
Staff costs	**1,593.3**	1,380.7	15.4%
Other administrative costs	**1,561.1**	1,456.0	7.2%
Depreciation and amortisation for the year	**304.0**	264.9	14.8%
	3,458.4	**3,101.6**	**11.5%**

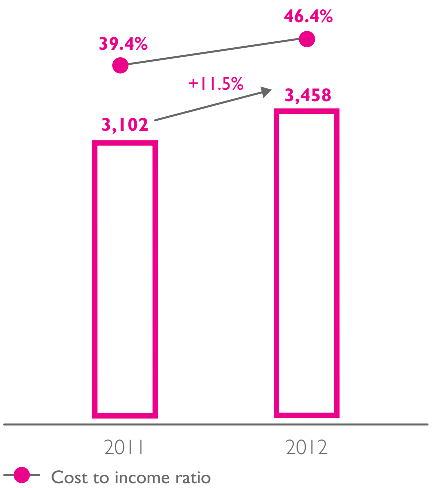
The evolution of operating costs reflected the reinforcement of the operating infrastructure supporting the strategy of growth of the number of ATM and branch network, which evolved from 138 branches in December 2011 to 151 by the end of 2012.

The 15.4% 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 2,230 to 2,298 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 7.2%, influenced by the expansion of the branch network and full remodelling of other branches, and reflect, above all, the higher costs related to energy and fuel, house rents, security and transport of values associated to the aforesaid expansion of the distribution networks and increased price of products and provision of services on the market. However, it is important to highlight the continuous implementation of initiatives aimed at the streamlining and optimisation of operating costs.

Depreciation and amortisation for the year reached 304.0 million Meticais in 2012, representing growth of 14.8% relative to the value for 2011. The behaviour of depreciation and amortisation for the year was determined by their higher levels, following the investments underlying the expansion of the activity which has been carried out.

OPERATING COSTS
Million MZN



EFFICIENCY RATIO

The efficiency ratio (cost to income), on a comparable basis, stood at 46.4% in 2012, compared to the 39.4% recorded in 2011. This decreased efficiency was conditioned by the combined effect of the lower net operating income and higher operating costs.

CREDIT IMPAIRMENT AND OTHER IMPAIRMENTS AND PROVISIONS

Credit impairment (net of recovery of loans written off) stood at 464.7 million Meticais in 2012, compared to 766.7 million Meticais in 2011. The lower value of the allocations for credit impairment are the result of the occurrence of lower signs of impairment, with the Bank upholding its policy of prudent provisioning and strengthening 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) to the loan portfolio, stood at 113 basis points in 2012, having fallen by 95 basis points in relation to the 208 points recorded in 2011.

IMPAIRMENT
Million MZN

BALANCE SHEET ANALYSIS

In 2012, Millennium bim continued to promote the careful management of assets and liabilities in order to, on the one hand, maximise the effect of the macroeconomic circumstances encouraging the concession of credit to the economy and, on the other hand, maintain the evolution of the commercial gap under tight control and preserve the overall structure of the balance sheet, especially in terms of the turnover with Customers, both through increased credit granted and higher deposits attracted.

Total assets reached 70,647 million Meticais as at 31 December 2012, compared to the 60,889 million Meticais recorded in 2011, corresponding to 16.0% growth, supported by the increased volume of loans to Customers, increased investments in credit institutions and mitigated by the reduction of financial assets available for sale.

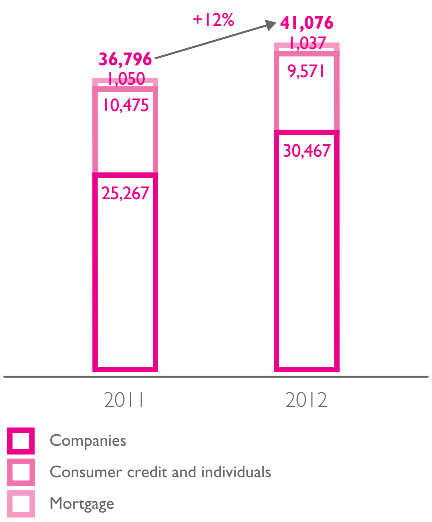
Net loans to Customers represent 54% of total assets, with gross loans corresponding to 41,076 million Meticais, which is equivalent to an increase of 12% relative to December 2011 (36,796 million Meticais). This evolution reflects the macroeconomic conditions of stimulus to the economy, with growth in the company segment having reached 21%.

The increase of total assets was also influenced by the growth of 71.6% recorded in the deposits and investments in credit institutions and by the 37.2% growth of tangible and intangible assets, which reflects the technological investment, the investment carried out under the branch network and ATM expansion programme and in the construction of the new head office for the Bank.

TOTAL ASSETS Million MZN

	'12	'11	VAR. % '12/'11
Cash and deposits at Banco de Moçambique	**6,713**	6,130	9.5%
Deposits at and loans to credit institutions	**13,421**	7,822	71.6%
Loans to Customer (net)	**38,230**	34,192	11.8%
Financial assets available for sale	**7,694**	9,296	-17.2%
Investments in subsidiaries	**356**	356	0.0%
Tangible and intangible assets	**3,370**	2,456	37.2%
Other	**863**	637	35.5%
	70,647	60,889	16.0%

LOANS TO CUSTOMERS (GROSS)
Million MZN



LOANS TO CUSTOMERS (GROSS)

In a context of encouragement of credit concession, as noted above, Millennium bim adjusted its credit concession policy to the aforesaid objective with tight control of the evolution of the commercial gap, where we highlight the strong evolution of loans to companies, which increased by 21%, notwithstanding the maintenance of a policy of prudence in the selection of operations according to risk and profitability, as well as the strengthening of collateral.

Loans to Customers (gross), on a comparable basis, reached 41,076 million Meticais as at 31 December 2012, having increased in relation to the 36,796 million Meticais recorded as at 31 December 2011. The growth of loans to Customers was supported by the increased loans to companies, which reached the total value of 30,467 million Meticais as at 31 December 2012 (+21%), since loans to individuals decreased by 8%, primarily due to the adoption of stricter criteria in consumer credit concession.

Between 31 December 2011 and 31 December 2012, the structure of the loan portfolio changed slightly in terms of diversification, with the strengthening of loans to companies, which have a dominant position in the structure of the portfolio of loans granted to Customers, accounting for 74% (69% in 2011), while loans to individuals represent 26% (31% in 2011) of total credit.

CREDIT QUALITY

Credit quality, measured by the levels of the default indicators, in particular by the proportion of overdue credit in total loans, which stood at 2.1% as at 31 December 2012 (1.7% as at 31 December 2011), reflecting a rise in non-performance due to the deterioration of economic conditions in the market, especially in the segment of individuals, in spite of the efforts to control risk, aimed at strengthening prevention and stimulating credit recovery.

The coverage ratio of overdue loans by impairment stood at 328.9% as at 31 December 2012, compared to 373.1% on the same date in 2011, maintaining a prudent assessment of risks.

CUSTOMER FUNDS

A large and diversified offer of products and services associated to the additional performance of the commercial networks in the attraction of funds and strict pricing management contributed to the recording of a growth rate of 16% in total deposits of Customers, which reached 55,322.0 million Meticais.

The growth of Customer deposits was upheld, during 2012, as one of the priority objectives of Millennium bim, as a fundamental support to the financing activity, where the Bank focused on stronger Customer loyalty and expansion of the Customer base, providing a vast network of branches and electronic banking equipment, as well as the excellent service offered to the Customer, as distinctive factors driving the commercial capacities of the distribution network.

Hence, the focus of the commercial policy was on the launch of innovative products in order to strengthen the offer of solutions and products suited to the financial needs of the Customers in the areas of saving and investment, according to the Customer's profile.

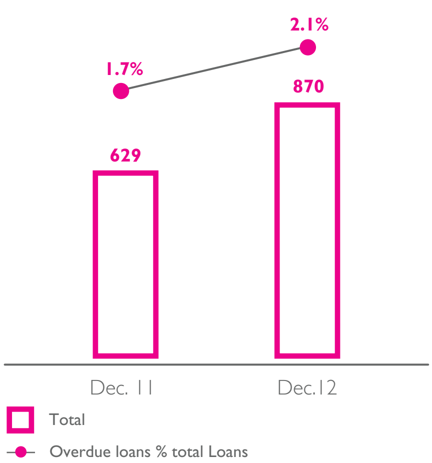
Total Customer funds, on a comparable basis, reached 56,369 million Meticais as at 31 December 2012, having increased by 15.0% in relation to the 48,852 million Meticais recorded on the same date of 2011.

CAPITAL

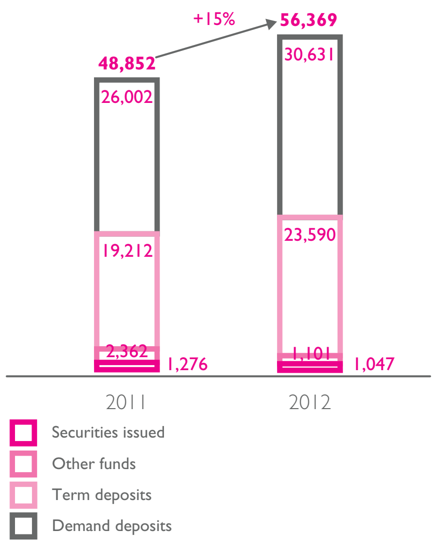
The capital ratios, as at 31 December 2012, were calculated in accordance with the regulatory standards of Banco de Moçambique. Total own funds arise from the sum of core capital (Tier I) and supplementary capital (Tier II) and subtraction of the component recorded under aggregate Deductions.

The solvency ratio, as at 31 December 2012, stood at 21.7%, with Tier I standing at 21.5%, greatly above the minimum limit of 8% recommended by Banco de Moçambique.

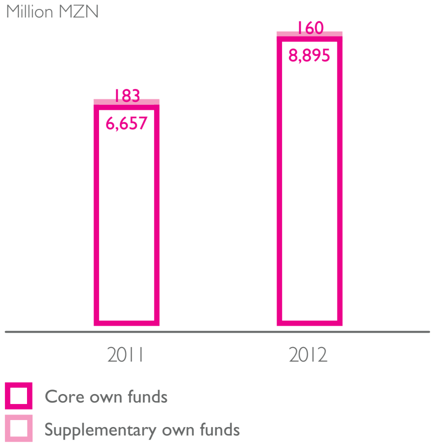
CREDIT QUALITY
Million MZN



CUSTOMER DEPOSITS
Million MZN



OWN FUNDS
Million MZN



PROPOSED APPROPRIATION 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 2,975,749,496.95 Meticais, should be distributed as follows:

		Meticais
Legal reserve	15.00%	446,362,424.54
Free reserve	47.50%	1,413,481,011.05
Dividend stabilisation reserve	2.50%	74,393,737.42
Distribution to Shareholders	35.00%	1,041,512,323.93

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

Paulo Fernando Cartaxo Tomás
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

Assuming its commitment to society, and knowing the importance of its action, in terms of social intervention, to the development of Mozambican society, Millennium bim has continued to focus on the development of ongoing and sustainable projects always with targeting national coverage.

The work developed by Millennium bim in the social area, through its social responsibility programme More Mozambique for Me, continued with the same intensity that has always characterised it, involved in projects of diverse areas, such as health, community intervention, sports and education.

A number of important sponsorships and assistance was also given to institutions and bodies which operate in various sectors of society. In a continuous and programmed manner, Millennium bim supports institutions and entities which, through their work developed among the population, confirm their credibility and capacity of operation.

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 implementation of the objectives of the Business Forum for the Environment (FEMA).

The principal activities developed by the Bank over 2012 are highlighted below:

MILLENNIUM BIM MINI BASKETBALL TOURNAMENT

In its 7th edition, the Millennium bim Mini Basketball Tournament involved the participation of 1,500 children, aged between 8 and 12 years old, from the seven provincial capitals covered: Maputo, Beira, Nampula, Quelimane, Tete, Xai-Xai and Chimoio.

This tournament is held in partnership with Clube Ferroviário de Maputo (Railroad Club of Maputo) and the Basketball Association of the City of Maputo, and in collaboration with schools, clubs and neighbourhoods, where, apart from publicising the benefits of sport and contributing to the physical education of a vast number of children, it also contributed to the training of the technical teams and monitors involved in the project.

MILLENNIUM BIM RACE

For the seventh consecutive year, the Millennium bim Race was held over a length of 13 Km, with the participation of 900 people, including national and international athletes, physically disabled people and enthusiasts of this sport.

The objective of this initiative, which is already part of the athletics competition calendar, is to publicise and encourage mass participation in this sport and encourage all Mozambicans to practice physical exercise, promoting a healthy life-style. Millennium bim thus continues its mission to encourage and develop the Mozambican community, truly promoting "More Sports for All".

A CLEAN CITY FOR ME

In its 6^{th} edition, the A Clean City for Me project involved the participation of close to 1,000 students, from 22 primary and secondary schools of the cities of Maputo and Matola, in the cleaning and maintenance of various emblematic locations of the capital city.

This initiative, which aims to raise awareness among the population in general, and young people in particular, has conquered its place in the calendar of school activities, with a view to the civic education of the students.

PARTNERSHIP WITH AMOR – RECYCLING PROJECT

For the third year consecutively, Millennium bim was the main partner of AMOR – Mozambican Recycling Association. This project, which involves the selective collection of urban waste, operates along the following two lines:

- Through the implementation of a mobile container system, where AMOR personnel travel using articulated bicycle to collect the waste of companies and residences which have previously requested this service; and

- Through ecopoints – recyclable material purchase centres, where people deposit waste which can be recycled.

The existing eight ecopoints in the cities of Maputo and Matola enable the recycling of 80 to 150 tons of waste per month, equivalent to between 1,200 and 2,000 m^3 of material per month.

ROAD SAFETY

Once again, Millennium bim promoted the National Campaign for Road Safety, in partnership with the Police of the Republic of Mozambique (PRM) – Traffic Department of the General Command of the Police.

During 2012, this project involved 30 schools of the province of Maputo, where close to 10,000 children attended lectures given by PRM officers, who provided training and alerted this public to the real dangers of the road. The older students are given specific instructions so that they may help younger children to cross the road safely at school entry and leaving times.

RESPONSIBLE MILLENNIUM BIM

Once again, the Employees of the Bank and their families contributed to the social development of communities, through specific social action in projects that the institutions covered by the project – Mumemo Shelter in Marracuene and Manhiça Menino Jesus Centre – wished to develop, but did not have the human and financial resources to do so.

The initiatives included activities of social interest which contributed to improve the quality of life and well-being of the institutions, the improvement of infrastructures, as well as the creation of new areas with a view to the improved psychosocial development of the residents.

SUPPORT OF MILLENNIUM BIM IN THE PUBLISHING OF THE BOOK *FORMIGA JUJU*

A project directed at schools of the periphery and institutions which support the community, with the objective of encouraging the enjoyment of books and stimulating the imagination of children. Millennium bim participated in the republication of this book and offered 2,500 copies to children who participated in projects carried out under More Mozambique for Me.

CREATION OF COMPUTER ROOMS

Millennium bim offered computers for the creation of computer rooms at three secondary schools in Maputo and Matola. The Bank also offered computer material to State institutions supporting the community, for the purpose of contributing to local development, placing at the disposal of the rural population the resources which enable them to have access to the new technologies.

DONATION OF FOOD SUPPORT

The social responsibility programme of Millennium bim includes policies which support and foster the well-being of communities, essentially focusing on causes that provide for the balanced growth of children and young people all over the country. This was the reason which led to Millennium bim's support to various institutions, both in terms of food donations and the basic items required for the daily life of institutionalised children. This action covered 550 children.

REHABILITATION OF THE PAEDIATRIC UNIT OF XAI-XAI HOSPITAL

The action carried out at Xai-Xai Provincial Hospital sought to ensure the rehabilitation of two rooms of the paediatric wing and donation of furniture and educational material for these rooms. These areas are intended as leisure rooms for the children and socialising with the family members accompanying them, during their period of hospitalisation.

Xai-Xai Provincial Hospital is one of the most important hospitals of Mozambique, helping to serve the health needs of the inhabitants of the province of Gaza.

MILLENNIUM BIM – MINISTRY OF HEALTH PARTNERSHIP

Millennium bim, with the objective of contributing to higher quality in the Mozambican health care system, and in partnership with the Ministry of Health, supported a training programme organised by the Institute of Hygiene and Tropical Medicine, of Portugal, directed at doctors and nurses of the entire country.

The Sustainability Report, that Millennium bim has published since 2007, is compulsory reading for all who wish to learn more about the Bank's action in the area of social responsibility.

FINANCIAL STATEMENTS

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INCOME STATEMENT

for the years ended on 31 December 2012 and 2011

		USD'000		MZN'000	
	Notes	'12	'11	'12	'11
Interest and equivalent income	2	**257,450**	278,138	**7,346,761**	8,025,208
Interest and equivalent costs	2	**86,252**	75,346	**2,461,343**	2,173,994
Net interest income		**171,198**	202,792	**4,885,418**	5,851,214
Income from equity instruments	3	**59**	63	**1,697**	1,812
Earnings from services and commissions	4	**49,692**	43,236	**1,418,048**	1,247,514
Earnings from financial transactions	5	**37,755**	27,769	**1,077,407**	801,214
Other operating earnings	6	**20,025**	24,745	**571,436**	713,966
		107,531	95,813	**3,068,588**	2,764,506
Total operating income		**278,729**	298,605	**7,954,006**	8,615,720
Staff costs	7	**58,818**	50,294	**1,678,470**	1,451,163
Other administrative costs	8	**52,099**	48,114	**1,486,735**	1,388,245
Depreciation/amortisation for the year	9	**11,693**	10,140	**333,687**	292,568
Total operating costs		**122,610**	108,548	**3,498,892**	3,131,976
Loan impairment	10	**16,285**	26,574	**464,722**	766,736
Other provisions	11	**6,274**	8,485	**179,042**	244,816
Net operating income		**133,560**	154,998	**3,811,350**	4,472,192
Earnings through the equity method		**1,075**	-	**30,679**	-
Pre-tax profit		**134,635**	154,998	**3,842,029**	4,472,192
Taxes					
Current	12	**23,642**	27,126	**674,678**	782,670
Deferred	12	**(339)**	138	**(9,670)**	3,975
		23,303	27,264	**665,008**	786,645
Profit after income tax		**111,332**	127,734	**3,177,021**	3,685,547
Consolidated net income for the year attributable to:					
Shareholders of the Bank		**109,887**	126,401	**3,135,818**	3,647,078
Non-controlling interests		**1,445**	1,333	**41,203**	38,469
Net income for the year		**111,332**	127,734	**3,177,021**	3,685,547
Earnings per share	13	**2.44 USD**	2.81 USD	**69.68 MZN**	81.05 MZN

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

for the years ended on 31 December 2012 and 2011

MZN'000

	Attributable to the Shareholders of the Group	Attributable to non-controlling interests	Total
2012			
Consolidated net income	3,135,818	41,203	3,177,021
Reserves of revaluation of financial assets available for sale:			
Reserves of revaluation of financial assets available for sale:	3,257	365	3,622
Tax impact	(1,042)	(117)	(1,159)
Earnings not included in the consolidated income statement	2,215	248	2,463
Consolidated comprehensive income	3,138,033	41,451	3,179,484
2011			
Consolidated net income	3,647,078	38,469	3,685,547
Reserves of revaluation of financial assets available for sale:			
Reserves of revaluation of financial assets available for sale:	99	11	110
Tax impact	(32)	(3)	(35)
Earnings not included in the consolidated income statement	67	8	75
Consolidated comprehensive income	3,647,145	38,477	3,685,622

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED BALANCE SHEET

as at 31 December 2012 and 2011

		USD'000		MZN'000	
	Notes	'12	'11	'12	'11
Assets					
Cash and deposits at Banco de Moçambique	14	**225,644**	224,449	**6,712,922**	6,129,695
Available funds in other credit institutions	15	**84,803**	89,884	**2,522,895**	2,454,731
Investments in credit institutions	16	**368,433**	196,549	**10,960,882**	5,367,748
Loans and advances to Customers	17	**1,285,052**	1,252,004	**38,230,301**	34,192,216
Financial assets available for sale	18	**308,997**	349,838	**9,192,665**	9,554,084
Investments in associates	19	**8,489**	8,238	**252,547**	224,977
Investment properties		**1,755**	1,912	**52,223**	52,223
Other tangible assets	20	**131,898**	112,961	**3,923,958**	3,084,954
Goodwill and intangible assets	21	**8,564**	7,366	**254,787**	201,156
Current tax assets	22	**5,565**	-	**165,561**	-
Deferred tax assets	29	**946**	669	**28,148**	18,274
Other assets	23	**28,466**	29,981	**846,822**	818,782
Total Assets		**2,458,612**	2,273,851	**73,143,711**	62,098,840
Liabilities					
Deposits of other credit institutions	24	**5,483**	3,449	**163,127**	94,179
Customer deposits	25	**1,812,377**	1,659,718	**53,918,201**	45,326,890
Debt securities issued	26	**34,614**	38,065	**1,029,762**	1,039,567
Provisions	27	**109,648**	115,032	**3,262,020**	3,141,510
Current tax liabilities	22	**-**	11,936	**-**	325,975
Deferred tax liabilities	29	**659**	668	**19,605**	18,241
Other liabilities	30	**55,014**	39,084	**1,636,695**	1,067,398
Total Liabilities		**2,017,795**	1,867,952	**60,029,410**	51,013,760
Equity					
Share capital	31	**151,261**	164,775	**4,500,000**	4,500,000
Legal reserve	32	**63,147**	50,018	**1,878,629**	1,366,001
Other reserves and retained earnings	32	**111,883**	60,307	**3,461,854**	1,451,891
Net income attributable to the Bank's Shareholders	32	**109,887**	126,401	**3,135,818**	3,647,078
Total Equity attributable to the Group		**436,178**	401,501	**12,976,301**	10,964,970
Non-controlling interests		**4,639**	4,398	**138,000**	120,110
Total Equity		**440,817**	405,899	**13,114,301**	11,085,080
Total Equity and Liabilities		**2,458,612**	2,273,851	**73,143,711**	62,098,840

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

BANCO INTERNACIONAL DE MOÇAMBIQUE
CONSOLIDATED CASH FLOW STATEMENT

for the years ended on 31 December 2012 and 2011

MZN'000

	'12	'11
Cash flow from operating activities		
Interest and commissions received	**8,401,718**	9,742,883
Interest and commissions paid	**(2,572,764)**	(2,233,440)
Payments to employees and suppliers	**(3,120,590)**	(2,826,413)
Recoveries of loans previously written off	**63,931**	147,655
Insurance premiums received	**936,760**	997,891
Payment of claims of the insurance activity	**(488,701)**	(451,696)
Operating earnings before alterations in operating funds	**3,220,354**	5,376,879
(Increases)/decreases of operating assets		
Financial assets available for sale	**1,021,733**	(4,935,033)
Investments in credit institutions	**(5,278,379)**	1,006,946
Deposits at Central Banks	**(410,342)**	(119,560)
Loans and advances to Customers	**(4,243,863)**	130,477
Other operating assets	**(98,303)**	(347,751)
Increases/(decreases) of operating liabilities		
Deposits of other credit institutions	**68,947**	(100,561)
Customer deposits and other loans	**9,150,326**	3,606,341
Other operating liabilities	**621,718**	189,509
Net cash flow from operating activities before payment of income taxes	**4,052,191**	4,807,247
Income taxes	**(1,166,214)**	(547,876)
Net cash flow from operating activities	**2,885,977**	4,259,371
Cash flow from investment activities		
Purchase/reinforcement of holdings	**(27,570)**	(14,277)
Dividends received	**1,697**	1,812
Acquisition of fixed assets	**(1,238,395)**	(581,948)
Values received from the sale of fixed assets	**12,058**	30,945
Net cash flow from investment activities	**(1,252,210)**	(563,468)
Cash flow from financing activities		
Dividends paid	**(1,123,905)**	(1,123,905)
Net cash flow from financing activities	**(1,123,905)**	(1,123,905)
Effect of change in exchange rate on cash and cash equivalents	**(268,813)**	167,596
Increase/(decrease) in cash and cash equivalents	**241,049**	2,739,595
Cash and cash equivalents at the beginning of the period	**4,727,575**	1,987,980
Cash and cash equivalents at the end of the period	**4,968,624**	4,727,575
	241,049	2,739,595

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended on 31 December 2012 and 2011

MZN'000

	Total equity	Share capital	Legal reserve	Fair value reserve	Other reserves and retained earnings	Net income for the year	Non--controlling interests
Balance as at 31 December 2010	**8,529,215**	**1,500,000**	**1,028,829**	**1,187**	**3,497,317**	**2,408,222**	**93,660**
Transfer to other reserves and retained earnings	-	-	-	-	947,145	(947,145)	-
Increased share capital through incorporation of reserves	-	3,000,000	-	-	(3,000,000)	-	-
Transfer to the legal reserve	-	-	337,172	-	-	(337,172)	-
Dividends distributed in 2011	(1,136,624)	-	-	-	-	(1,123,905)	(12,719)
Other movements	6,867	-	-	-	6,175	-	692
Comprehensive income for 2011	3,685,622	-	-	67	-	3,647,078	38,477
Balance as at 31 December 2011	**11,085,080**	**4,500,000**	**1,366,001**	**1,254**	**1,450,637**	**3,647,078**	**120,110**
Transfer to other reserves and retained earnings	-	-	-	-	2,010,545	(2,010,545)	-
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	-	-	2,215	-	3,135,818	41,451
Balance as at 31 December 2012	**13,114,301**	**4,500,000**	**1,878,629**	**3,469**	**3,458,385**	**3,135,818**	**138,000**

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 years ended on 31 December 2012 and 2011

		USD'000		MZN'000	
	Notes	'12	'11	'12	'11
Interest and equivalent income	2	**253,058**	276,129	**7,221,435**	7,967,246
Interest and equivalent costs	2	**92,319**	85,949	**2,634,487**	2,479,920
Net interest income		**160,739**	190,180	**4,586,948**	5,487,326
Income from equity instruments	3	**7,274**	3,945	**207,568**	113,827
Earnings from services and commissions	4	**50,596**	44,860	**1,443,855**	1,294,361
Earnings from financial transactions	5	**35,614**	28,535	**1,016,302**	823,344
Other operating earnings	6	**7,162**	5,358	**204,374**	154,590
		100,646	82,698	**2,872,099**	2,386,122
Total operating income		**261,385**	272,878	**7,459,047**	7,873,448
Staff costs	7	**55,832**	47,853	**1,593,261**	1,380,714
Other administrative costs	8	**54,704**	50,462	**1,561,063**	1,455,991
Depreciation/amortisation for the year	9	**10,653**	9,180	**304,001**	264,866
Total operating costs		**121,189**	107,495	**3,458,325**	3,101,571
Loan impairment	10	**16,285**	26,574	**464,722**	766,736
Other provisions	11	**1,295**	(1,769)	**36,951**	(51,047)
Pre-tax profit		**122,616**	140,578	**3,499,049**	4,056,188
Taxes					
Current	12	**18,684**	22,191	**533,174**	640,284
Deferred	12	**(346)**	(56)	**(9,874)**	(1,620)
		18,338	22,135	**523,300**	638,664
Profit after income tax		**104,278**	118,443	**2,975,749**	3,417,524
Net income for the year		**104,278**	118,443	**2,975,749**	3,417,524
Earnings per share	13	**2.32 USD**	2.63 USD	**66.13 MZN**	75.94 MZN

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 years ended on 31 December 2012 and 2011

MZN'000

	'12	'11
Net income for the year	**2,975,749**	3,417,524
Reserves of revaluation of financial assets available for sale:		
Revaluation of financial assets available for sale	-	-
Tax impact	-	-
Earnings not included in the individual income statement	-	-
Individual comprehensive income	**2,975,749**	3,417,524

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 2012 and 2011

		USD'000		MZN'000	
	Notes	'12	'11	'12	'11
Assets					
Cash and deposits at Banco de Moçambique	14	**225,644**	224,449	**6,712,922**	6,129,695
Available funds in other credit institutions	15	**84,634**	89,883	**2,517,860**	2,454,703
Investments in credit institutions	16	**366,508**	196,549	**10,903,606**	5,367,748
Loans and advances to Customers	17	**1,285,052**	1,252,004	**38,230,301**	34,192,216
Financial assets available for sale	18	**258,615**	340,391	**7,693,799**	9,296,084
Investments in subsidiaries	19	**11,971**	13,041	**356,148**	356,148
Other tangible assets	20	**109,392**	87,719	**3,254,407**	2,395,615
Intangible assets	21	**3,900**	2,204	**116,037**	60,181
Current tax assets	22	**4,760**	-	**141,619**	-
Deferred tax assets	29	**862**	577	**25,641**	15,767
Other assets	23	**23,338**	22,737	**694,284**	620,949
Total Assets		**2,374,676**	2,229,554	**70,646,624**	60,889,106
Liabilities					
Deposits of other credit institutions	24	**5,483**	3,449	**163,127**	94,179
Customer deposits	25	**1,859,546**	1,742,075	**55,321,482**	47,576,073
Debt securities issued	26	**35,208**	46,716	**1,047,442**	1,275,818
Provisions	27	**11,591**	11,376	**344,839**	310,668
Subordinated liabilities	28	**8,764**	9,612	**260,736**	262,504
Current tax liabilities	22	**-**	10,694	**-**	292,062
Other liabilities	30	**51,084**	34,435	**1,519,760**	940,407
Total Liabilities		**1,971,676**	1,858,357	**58,657,386**	50,751,711
Equity					
Share capital	31	**151,261**	164,775	**4,500,000**	4,500,000
Legal reserve	32	**63,147**	50,018	**1,878,629**	1,366,001
Other reserves and retained earnings	32	**84,314**	37,961	**2,634,860**	853,870
Net income for the year	32	**104,278**	118,443	**2,975,749**	3,417,524
Total Equity		**403,000**	371,197	**11,989,238**	10,137,395
Total Equity and Liabilities		**2,374,676**	2,229,554	**70,646,624**	60,889,106

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 years ended on 31 December 2012 and 2011

MZN'000

	'12	'11
Cash flow from operating activities		
Interest and commissions received	**8,290,050**	9,680,989
Interest and commissions paid	**(2,702,046)**	(2,438,969)
Payments to employees and suppliers	**(3,160,012)**	(2,864,305)
Recoveries of loans previously written off	**63,931**	147,655
Operating earnings before alterations in operating funds	**2,491,923**	4,525,370
(Increases)/decreases of operating assets		
Financial assets available for sale	**2,059,079**	(5,201,556)
Investments in credit institutions	**(5,204,861)**	994,939
Deposits at Central Banks	**(410,342)**	(119,560)
Loans and advances to Customers	**(4,227,387)**	237,599
Other operating assets	**(88,004)**	(363,983)
Increases/(decreases) of operating liabilities		
Deposits of other credit institutions	**68,947**	(100,561)
Customer deposits and other loans	**8,371,823**	4,204,674
Liabilities represented by securities	**(216,250)**	183,750
Other operating liabilities	**789,415**	209,648
Net cash flow from operating activities before payment of income taxes	**3,634,343**	4,570,320
Income taxes	**(966,855)**	(441,586)
Net cash flow from operating activities	**2,667,488**	4,128,734
Cash flow from investment activities		
Dividends received	**207,568**	113,385
Acquisition of fixed assets	**(1,227,833)**	(500,302)
Values received from the sale of fixed assets	**9,185**	4,702
Net cash flow from investment activities	**(1,011,080)**	(382,215)
Cash flow from financing activities		
Dividends paid	**(1,123,905)**	(1,123,904)
Interest paid in financing activities	**(27,648)**	(42,035)
Net cash flow from financing activities	**(1,151,553)**	(1,165,939)
Effect of change in exchange rate on cash and cash equivalents	**(268,813)**	158,987
Increase/(decrease) in cash and cash equivalents	**236,042**	2,739,567
Cash and cash equivalents at the beginning of the period	**4,727,547**	1,987,980
Cash and cash equivalents at the end of the period	**4,963,589**	4,727,547
	236,042	2,739,567

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT OF CHANGES IN EQUITY OF THE BANK

for the years ended on 31 December 2012 and 2011

MZN'000

	Total equity	Share capital	Legal reserve	Other reserves and retained earnings	Net income for the year
Balance as 31 December 2010	**7,843,775**	**1,500,000**	**1,028,829**	**3,067,136**	**2,247,810**
Transfer to other reserves and retained earnings	-	-	-	786,734	(786,734)
Increased share capital through incorporation of reserves	-	3,000,000	-	(3,000,000)	-
Transfer to the legal reserve	-	-	337,172	-	(337,172)
Dividends distributed in 2011	(1,123,904)	-	-	-	(1,123,904)
Comprehensive income	3,417,524	-	-	-	3,417,524
Balance as at 31 December 2011	**10,137,395**	**4,500,000**	**1,366,001**	**853,870**	**3,417,524**
Transfer to other reserves and retained earnings	-	-	-	1,780,990	(1,780,990)
Transfer to the legal reserve	-	-	512,628	-	(512,628)
Dividends distributed in 2012	(1,123,905)	-	-	-	(1,123,905)
Comprehensive income for 2012	2,975,749	-	-	-	2,975,749
Balance as at 31 December 2012	**11,989,238**	**4,500,000**	**1,878,629**	**2,634,860**	**2,975,749**

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 2012

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BANCO INTERNACIONAL DE MOÇAMBIQUE
NOTES TO THE FINANCIAL STATEMENTS

for the year ended on 31 December 2012

1. ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

BIM – Banco Internacional de Moçambique, S.A. ("Bank" or "BIM") is a private bank with head office in Maputo, capital of Mozambique. The accounts presented herein reflect the earnings of its operations for the financial year ended on 31 December 2012.

The principal objective of the Bank 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.

As at 31 December 2012, BIM – Banco Internacional de Moçambique, S.A. had shareholder control of Seguradora Internacional de Moçambique, S.A., through a holding of 89.91% of its share capital, with the accounts of the Group (Bank and Insurer) being presented in a consolidated form in this report.

In compliance with the provisions of Banco de Moçambique Notice number 04/GBM/2007 of 2 May and in the supplementary provisions, BIM has, as of 1 January 2007, prepared its financial statements pursuant to the International Financial Reporting Standards (IFRS).

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.

The accounting policies set forth in this note have been applied consistently to all the Group's entities, for all the years presented in the consolidated financial statements.

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.

The 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 t).

The financial statements of the Bank and Group are prepared using the Metical as the reference currency and are presented in thousand Meticais. The Bank and Group present the conversion of the balances of their Balance Sheet and Income Statement into thousand USD, merely for comparative purposes, using the valuation exchange rate of Banco de Moçambique as at the reference date of the corresponding period.

B) BASIS OF CONSOLIDATION

The Group's accounts are consolidated through the full method into Banco Comercial Português, S.A. (BCP).

(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 December 2012 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 on the acquisition date of the acquired assets and liabilities incurred or assumed, plus the costs directly attributable to the transaction.

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

As of the date of transition to IFRS, on 1 January 2006, the positive goodwill arising from acquisitions is recognised as an asset and recorded at the 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.

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.

C) LOANS TO CUSTOMERS

The heading of Loans to Customers includes the 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.

The derecognition of these assets occurs 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 the losses are stated against profit or loss.

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

For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period 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 for which no objective evidence of impairment is identified 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 that are not considered individually significant (parametric analysis); or

- In relation to losses incurred but not identified (IBNR) on 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

(i) Classification, initial recognition and subsequent measurement
1) Financial assets held for trading
Financial assets and liabilities acquired or issued for the purpose of sale or repurchase in the short-term, namely bonds, treasury bills or shares, which are specifically intended for gaining short-term profit, or are defined as a derivative (except in the case of a derivative that is a hedge instrument) are classified as held for trading. The dividends associated to these portfolios are recorded under Earnings from Financial Transactions. Currently, the Bank and Group does not have any financial instruments classified as held for trading.

2) Financial assets held to maturity
This category is composed of financial assets, except derivatives, with fixed or determinable payments and maturity that the Group intends and has the capacity to maintain until maturity and which were not included in the category of financial assets at fair value through profit or loss, or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. Any impairment losses are recognised through profit or loss.

Any reclassification or sale of financial assets recognised in this category that does not occur close to their maturity will require the Group to reclassify the entire portfolio as Financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years. Currently, the Bank and Group does not have any financial instruments classified as held to maturity.

3) Financial assets available for sale
Financial assets available for sale held for the purpose of being held 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. Financial assets 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.

Financial assets 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 the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recorded under Earnings from financial assets available for sale in the income statement.

The interest from debt instruments is recognised based on the effective interest, considering the expected useful life of the asset. In situations where there is a premium or discount 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.

4) 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.

(ii) Impairment of financial instruments
An assessment is made on each reporting date as to whether there is any objective evidence of impairment, namely circumstances of an adverse impact on the estimated future cash flow of a financial asset that can be estimated reliably based on a significant or prolonged decrease in the fair value of the asset, below the 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 increase 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 on the Customer loan portfolio is described in note 1 c) above.

(iii) Recognition date
The Bank and Group recognise the financial assets held for trading and 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.

(iv) 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 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.

(v) Derecognition

The Bank derecognises financial assets when all the rights to future cash flow have expired.

E) 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 costs.

F) 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 net present book value of the financial asset or liability.

G) RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

The income from services 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 services and commissions that are an integral part of the effective interest rate of a financial instrument are recognised under net interest income.

H) EARNINGS FROM FINANCIAL TRANSACTIONS

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

This heading also records the gains and losses related to financial assets classified as held for trading, financial assets available for sale and the dividends associated to these portfolios.

I) OTHER TANGIBLE ASSETS

Other tangible assets are stated at acquisition cost minus the respective 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, pursuant to the accrual principle.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the realisable amount, with any differences, if existent, being stated through profit or loss.

Depreciation is calculated on a straight-line basis, over the following periods of expected useful life:

	Number of years
Real estate properties	50
Works on rented buildings (*)	10
Equipment	4 to 10
Other fixed assets	3

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

J) INTANGIBLE ASSETS

The intangible assets acquired by the Group are recorded at their historical cost minus the accumulated amortisation and impairment losses and losses due to reduction of the recoverable value.

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 three years. The Group does not capitalise internal costs arising from software development.

K) 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 value between the fair value and book value of the loan as at the date when the asset was given in lieu of the loan.

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 value between the book value and the corresponding current fair value, net of expenses, and is not subject to depreciation.

In the case of unrealised losses, these should be recognised as impairment losses against profit or loss for the year.

L) 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.

M) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are converted at the exchange rate in force on the date of the transaction. Monetary assets and liabilities denominated in foreign currency, which are stated at historical cost, 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.

N) EMPLOYEE BENEFITS

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 which is guaranteed to its Employees through a supplementary retirement pension, which operates on an autonomous basis.

The actuarial calculation is based on the Projected Unit Credit method considering the actuarial and financial assumptions described in note 38 and in accordance with the parameters required by IAS 19.

Costs arising from early retirements, as well as the corresponding actuarial gains and losses are recognised against profit or loss for the year when the early retirement is approved and announced, pursuant to IAS 37.

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, and 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 the retirement pension attributed by the National Social Security Institute (INSS) or should the Executive Commission decide so.

O) INCOME TAX

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

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 reduction of 50% 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, where this period cannot last for more than ten years counted as of 1 January 2004, pursuant to Authorisation of the Investment Project.

Income tax includes the effects of current and deferred tax.

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).

P) SEGMENTAL REPORTING

A business segment is an identifiable component of the Group that is 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.

As presented in note 39, the Group controls its activity through the following main segments:

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

Q) 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 obligation.

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

R) 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.

S) INSURANCE CONTRACTS

The Group issues contracts which include insurance risk, financial risk or a combination of both 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 without significant insurance risk, but whose 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:

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 accounting 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.

T) 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) Losses due to reduction of the recoverable value of loans

The assets recorded at amortised cost are assessed as to the reduction of the recoverable value, based on the description presented in note 1 c) of the accounting policies.

The specific loss components due to the reduction of recoverable value are assessed individually and are 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 asset with a reduced recoverable value is assessed regarding its merit, and the recovery strategy and estimated cash flow considered recoverable are independent of the credit risk function.

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

In the assessment of the need to record losses due to the reduction of the recoverable value of loans, 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.

(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.

2. NET INTEREST INCOME

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Interest and equivalent income				
Interest on loans and advances	**6,060,703**	6,773,394	**6,060,703**	6,773,394
Interest on deposits and other investments	**161,462**	88,306	**146,237**	88,306
Interest on securities available for sale	**1,124,596**	1,163,508	**1,014,495**	1,105,546
	7,346,761	8,025,208	**7,221,435**	7,967,246
Interest and equivalent costs				
Interest on deposits and funds	**2,294,456**	1,957,467	**2,424,243**	2,209,495
Interest on securities issued	**165,636**	211,061	**208,993**	264,959
Other equivalent costs and interest	**1,251**	5,466	**1,251**	5,466
	2,461,343	2,173,994	**2,634,487**	2,479,920
Net interest income	**4,885,418**	5,851,214	**4,586,948**	5,487,326

3. INCOME FROM EQUITY INSTRUMENTS

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Income from investments in subsidiaries	**-**	-	**207,568**	113,827
Income from securities available for sale	**1,697**	1,812	**-**	-
	1,697	1,812	**207,568**	113,827

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 SERVICES AND COMMISSIONS

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Banking services rendered				
For guarantees provided	**360,994**	328,722	**360,994**	328,722
For banking services rendered	**677,043**	593,700	**706,011**	635,545
Insurance activity commissions	**46,295**	33,495	**-**	-
Other commissions	**494,705**	442,868	**494,705**	442,868
	1,579,037	1,398,785	**1,561,710**	1,407,135
Banking services received				
For guarantees provided	**22,271**	18,218	**22,271**	18,218
For banking services rendered	**187**	78	**105**	78
Insurance activity commissions	**43,007**	37,490	**-**	-
Other commissions	**95,524**	95,485	**95,479**	94,478
	160,989	151,271	**117,855**	112,774
Net income from services and commissions	**1,418,048**	1,247,514	**1,443,855**	1,294,361

5. EARNINGS FROM FINANCIAL TRANSACTIONS

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Profits from financial transactions				
Foreign exchange transactions	**950,557**	913,641	**913,115**	871,369
Other transactions	**138,467**	13,439	**103,204**	-
	1,089,024	927,080	**1,016,319**	871,369
Losses from financing transactions				
Foreign exchange transactions	**17**	48,025	**17**	48,025
Other transactions	**11,600**	77,841	**-**	-
	11,617	125,866	**17**	48,025
	1,077,407	801,214	**1,016,302**	823,344

6. OTHER NET OPERATING INCOME

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Other operating income				
Income from real estate properties	**11,315**	31,945	**1,274**	2,352
Services rendered	**46,414**	55,119	**96,160**	55,119
Reimbursement of expenses	**124,847**	120,907	**124,847**	120,907
Insurance premiums	**936,760**	997,891	**-**	-
Other operating income	**36,059**	37,209	**32,926**	20,637
	1,155,395	1,243,071	**255,207**	199,016
Other operating costs				
Taxes	**15,363**	14,797	**14,159**	13,724
Donations and levies	**16,088**	10,636	**16,088**	10,636
Costs related to claims	**488,701**	451,696	**-**	-
Other operating costs	**63,807**	51,976	**20,586**	20,065
	583,959	529,105	**50,833**	44,425
	571,436	713,966	**204,374**	154,590

7. STAFF COSTS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Remunerations	**1,581,835**	1,371,246	**1,460,662**	1,265,857
Mandatory social security charges	**59,626**	50,154	**50,677**	42,593
Voluntary social security charges	**29,891**	24,973	**77,780**	70,223
Other costs	**7,118**	4,790	**4,142**	2,041
	1,678,470	1,451,163	**1,593,261**	1,380,714

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

	Group		Bank	
	'12	'11	**'12**	'11
Senior management	**164**	153	**147**	135
Specific/Technical staff	**845**	891	**735**	787
Other categories	**1,401**	1,170	**1,383**	1,149
	2,410	2,214	**2,265**	2,071

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 2012, recorded under the heading of Remunerations, stood at 114,206 thousand Meticais and 107,158 thousand Meticais, respectively (2011: 97,874 thousand Meticais and 91,411 thousand Meticais).

8. OTHER ADMINISTRATIVE COSTS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Water, electricity and fuel	**76,594**	67,957	**72,326**	63,520
Consumables	**101,144**	111,656	**98,380**	109,040
Hire and rental charges	**106,089**	68,442	**179,946**	142,187
Communications	**102,673**	89,368	**99,841**	85,479
Travel, hotel and representation costs	**50,431**	62,162	**48,735**	59,044
Advertising	**81,058**	60,820	**70,336**	55,322
Costs related to independent work	**59,772**	59,527	**37,227**	35,809
Maintenance and repair	**149,853**	98,280	**145,448**	93,990
Insurance	**6,389**	7,196	**61,598**	53,733
Legal and notary services	**5,375**	3,608	**5,308**	3,583
IT and consulting	**558,012**	571,085	**556,661**	569,229
Security and surveillance	**67,758**	56,007	**65,881**	54,152
Cleaning of premises	**25,864**	24,663	**25,864**	24,663
Transport of values	**67,615**	58,882	**67,615**	58,882
Staff training	**25,138**	35,495	**25,138**	35,495
Other third party services	**2,970**	13,097	**759**	11,863
	1,486,735	1,388,245	**1,561,063**	1,455,991

9. DEPRECIATION AND AMORTISATION FOR THE YEAR

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Intangible assets				
Software	**24,330**	19,962	**19,589**	15,331
Tangible assets				
Real estate properties	**60,303**	59,276	**45,363**	44,335
Equipment	**249,021**	213,297	**239,016**	205,167
Furniture	**14,934**	13,311	**14,424**	12,840
Machines	**10,472**	9,206	**10,312**	9,056
Computer equipment	**127,064**	105,412	**125,040**	103,764
Interior premises	**32,196**	28,158	**31,152**	27,111
Vehicles	**48,478**	41,232	**42,978**	36,803
Security equipment	**13,385**	13,938	**13,385**	13,938
Other equipment	**2,492**	2,040	**1,725**	1,655
Other tangible assets	**33**	33	**33**	33
	309,357	272,606	**284,412**	249,535
	333,687	292,568	**304,001**	264,866

10. CREDIT IMPAIRMENT

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Loans and advances to Customers				
Net allocation for the year	**528,653**	914,391	**528,653**	914,391
Recovery of loans and interest written off from assets	**(63,931)**	(147,655)	**(63,931)**	(147,655)
	464,722	766,736	**464,722**	766,736

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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Provisions for indirect credit risks				
Allocation for the year	**132,311**	64,162	**132,311**	64,162
Write-back for the year	**(77,673)**	(162,654)	**(77,673)**	(162,654)
Provisions for general banking risks				
Allocation for the year	**17,733**	10,054	**17,733**	10,054
Write-back for the year	**-**	(143)	**-**	(143)
Other provisions for risks and costs				
Allocation for the year	**-**	35,874	**-**	35,874
Write-back for the year	**(35,420)**	(221)	**(35,420)**	(221)
Insurance technical provisions				
Allocation for the year	**139,909**	293,045	**-**	-
Write-back for the year	**-**	-	**-**	-
Provisions for other assets				
Allocation for the year	**2,182**	7,749	**-**	4,931
Write-back for the year	**-**	(3,050)	**-**	(3,050)
	179,042	244,816	**36,951**	(51,047)

12. TAXES

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Current tax	**674,678**	782,670	**533,174**	640,284
Deferred tax				
Tangible assets	**(9,670)**	(2,026)	**(9,874)**	(7,621)
Retirement pensions	**-**	6,001	**-**	6,001
	(9,670)	3,975	**(9,874)**	(1,620)
Total tax costs	**665,008**	786,645	**523,300**	638,664
Reconciliation of the effective tax cost				
Pre-tax profit	**3,842,029**	4,472,191	**3,499,049**	4,056,188
Current taxes	**730,682**	823,081	**559,848**	648,990
Tax adjustments:				
Impact of non-deductible expenses	**9,013**	7,239	**8,133**	6,346
Impact of non-deductible costs	**13,964**	16,836	**13,692**	16,629
Tax paid on treasury bond interest – withholding tax	**13,855**	12,368	**-**	-
Revenue exempt from tax or not taxable	**(6,019)**	(6,118)	**(6,019)**	(523)
Amortisation of deferred cost	**(3,880)**	(6,742)	**(3,880)**	(6,742)
Tax benefits	**(82,937)**	(63,993)	**(38,600)**	(24,415)
Tax cost	**674,678**	782,670	**533,174**	640,284

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 reduction of 50% 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	
	'12	'11	**'12**	'11
Net income	**3,135,818,190**	3,647,077,876	**2,975,749,497**	3,417,523,842
Number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
Earnings per share	**69.68**	81.05	**66.13**	75.94

14. CASH AND DEPOSITS AT BANCO DE MOÇAMBIQUE

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Cash	**2,445,729**	2,272,844	**2,445,729**	2,272,844
Banco de Moçambique	**4,267,193**	3,856,851	**4,267,193**	3,856,851
	6,712,922	6,129,695	**6,712,922**	6,129,695

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. In 2011, the rate was 8.5%, pursuant to Notice number 06/GBM/2012.

15. DEPOSITS IN OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Domestic credit institutions	**108,453**	74,595	**103,418**	74,567
Credit institutions abroad	**2,414,442**	2,380,136	**2,414,442**	2,380,136
	2,522,895	2,454,731	**2,517,860**	2,454,703

The heading of Deposits in credit institutions in the country includes collectible values of 87,365 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 2012.

16. INVESTMENTS IN CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Investments in domestic credit institutions	**7,528,743**	2,486,851	**7,471,467**	2,486,851
Investments in credit institutions abroad	**3,432,139**	2,880,897	**3,432,139**	2,880,897
	10,960,882	5,367,748	**10,903,606**	5,367,748

17. LOANS TO CUSTOMERS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Asset-backed loans	**12,848,944**	11,495,941	**12,848,944**	11,495,941
Loans backed by other guarantees	**17,267,840**	15,005,002	**17,267,840**	15,005,002
Unsecured loans	**3,437,448**	3,290,904	**3,437,448**	3,290,904
Loans to the public sector	**4,255,577**	3,058,963	**4,255,577**	3,058,963
Loans under financial leasing	**2,292,288**	3,098,134	**2,292,288**	3,098,134
Loans taken in factoring operations	**103,300**	217,821	**103,300**	217,821
	40,205,397	36,166,765	**40,205,397**	36,166,765
Overdue loans – less than 90 days	**66,517**	85,811	**66,517**	85,811
Overdue loans – over 90 days	**803,829**	542,988	**803,829**	542,988
	41,075,743	36,795,564	**41,075,743**	36,795,564
Impairment for credit risks	**(2,845,442)**	(2,603,348)	**(2,845,442)**	(2,603,348)
	38,230,301	34,192,216	**38,230,301**	34,192,216

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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Short-term				
Loans represented by discounted bills	**347,506**	142,648	**347,506**	142,648
Current account credit	**4,825,025**	3,939,087	**4,825,025**	3,939,087
Overdrafts	**1,708,104**	1,380,321	**1,708,104**	1,380,321
Loans	**4,602,962**	3,951,899	**4,602,962**	3,951,899
Mortgage loans	**7,303**	9,093	**7,303**	9,093
Principal under leases	**132,399**	149,361	**132,399**	149,361
Loans taken in factoring operations	**103,300**	217,821	**103,300**	217,821
	11,726,599	9,790,230	**11,726,599**	9,790,230
Medium and long-term				
Loans represented by discounted bills				
Loans	**26,326,212**	23,436,855	**26,326,212**	23,436,855
Mortgage loans	**718,141**	811,163	**718,141**	811,163
Principal under leases	**1,434,445**	2,128,517	**1,434,445**	2,128,517
	28,478,798	26,376,535	**28,478,798**	26,376,535
Overdue loans – less than 90 days	**66,517**	85,811	**66,517**	85,811
Overdue loans – over 90 days	**803,829**	542,988	**803,829**	542,988
	870,346	628,799	**870,346**	628,799
Impairment for credit risks	**(2,845,442)**	(2,603,348)	**(2,845,442)**	(2,603,348)
	38,230,301	34,192,216	**38,230,301**	34,192,216

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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Agriculture and forestry	**1,662,702**	1,632,989	**1,662,702**	1,632,989
Mining industries	**799,613**	33,328	**799,613**	33,328
Food, beverage and tobacco	**1,291,358**	1,220,572	**1,291,358**	1,220,572
Textiles	**18,761**	25,644	**18,761**	25,644
Paper, printing and publishing	**45,575**	40,092	**45,575**	40,092
Chemicals	**169,000**	241,240	**169,000**	241,240
Machines and equipment	**1,467,868**	1,200,975	**1,467,868**	1,200,975
Electricity, water and gas	**2,648,983**	132,933	**2,648,983**	132,933
Construction	**3,501,096**	2,880,325	**3,501,096**	2,880,325
Trade	**5,327,491**	5,258,205	**5,327,491**	5,258,205
Restaurants and hotels	**1,015,592**	985,380	**1,015,592**	985,380
Transport and communications	**2,941,737**	3,150,087	**2,941,737**	3,150,087
Services	**4,638,466**	4,519,214	**4,638,466**	4,519,214
Consumer credit	**9,571,462**	10,497,485	**9,571,462**	10,497,485
Mortgage loans	**1,036,802**	1,053,020	**1,036,802**	1,053,020
Mozambican State	**4,263,350**	3,149,094	**4,263,350**	3,149,094
Other activities	**675,887**	774,981	**675,887**	774,981
	41,075,743	36,795,564	**41,075,743**	36,795,564
Impairment for credit risks	**(2,845,442)**	(2,603,348)	**(2,845,442)**	(2,603,348)
	38,230,301	34,192,216	**38,230,301**	34,192,216

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 the restructured loans by activity sector is as follows:

MZN' 000

	'12	'11
Agriculture and forestry	**50,855**	126,629
Food, beverage and tobacco	**100,613**	26,745
Paper, printing and publishing	**4,370**	13,325
Chemicals	**22,520**	4,392
Machines and equipment	**10,527**	17,629
Electricity, water and gas	**-**	12,343
Construction	**19,599**	17,619
Trade	**372,661**	629,074
Transport and communications	**30,413**	8,468
Services	**94,429**	277,670
Consumer credit	**152,512**	121,067
Other activities	**576**	12,853
	859,075	1,267,816

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

MZN' 000

	'12	'11
Asset-backed loans	**82,618**	28,663
Loans backed by other guarantees	**461,718**	337,398
Unsecured loans	**211,884**	174,878
Loans to the public sector	**100**	167
Loans under financial leasing	**90,713**	85,049
Loans taken in factoring operations	**23,313**	2,644
	870,346	628,799

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

MZN' 000

	'12	'11
Agriculture and forestry	**27,633**	10,428
Mining industries	**26**	14
Food, beverage and tobacco	**1,220**	896
Textiles	**1,567**	4
Paper, printing and publishing	**1,083**	708
Chemicals	**1,675**	1,402
Machines and equipment	**34,337**	8,884
Electricity, water and gas	**-**	22
Construction	**48,067**	18,265
Trade	**113,162**	47,581
Restaurants and hotels	**9,300**	2,148
Transport and communications	**42,370**	20,008
Services	**55,377**	47,527
Consumer credit	**526,372**	464,431
Mortgage loans	**4,999**	4,396
Other activities	**3,158**	2,085
	870,346	628,799

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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Balance as at 1 January	**2,603,348**	1,981,885	**2,603,348**	1,981,885
Net allocation for the year	**528,653**	914,391	**528,653**	914,391
Use of impairment	**(315,467)**	(217,800)	**(315,467)**	(217,800)
Exchange rate differences	**28,908**	(75,128)	**28,908**	(75,128)
Balance as at 31 December	**2,845,442**	2,603,348	**2,845,442**	2,603,348

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

MZN' 000

	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 table below presents the breakdown of impairment for credit risks, by default category, as at 31 December 2011:

MZN' 000

	Default categories			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	99,527	73,448	280,939	453,915
Existing impairment	54,729	67,948	240,354	363,031
Unsecured overdue loans	35,017	43,187	96,680	174,884
Existing impairment	18,100	28,956	62,871	109,926
Total overdue loans	134,545	116,635	377,619	628,799
Total impairment for overdue loans	72,829	96,904	303,225	472,958
Total impairment for outstanding loans				2,130,390
Total impairment for credit risks				2,603,348

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

MZN' 000

	'12	'11
Agriculture and forestry	**150,339**	107,408
Mining industries	**16,008**	664
Food, beverage and tobacco	**88,001**	26,811
Textiles	**11,850**	1,673
Paper, printing and publishing	**6,569**	5,661
Chemicals	**4,506**	7,126
Machines and equipment	**45,523**	35,782
Electricity, water and gas	**52,602**	2,663
Construction	**152,529**	96,847
Trade	**365,529**	405,829
Restaurants and hotels	**30,592**	33,592
Transport and communications	**144,547**	111,178
Services	**202,595**	465,757
Consumer credit	**1,419,080**	1,207,217
Mortgage loans	**54,557**	57,154
Other activities	**100,615**	37,986
	2,845,442	2,603,348

The impairment by type of credit is analysed as follows:

MZN' 000

	'12	'11
Asset-backed loans	**534,705**	580,033
Loans backed by other guarantees	**1,687,363**	1,361,198
Unsecured loans	**290,892**	310,862
Loans to the public sector	**84,664**	61,163
Loans under financial leasing	**234,290**	279,730
Loans taken in factoring operations	**13,528**	10,362
	2,845,442	2,603,348

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

MZN' 000

	'12	'11
Agriculture and forestry	**405**	1
Food, beverage and tobacco	**210**	14
Paper, printing and publishing	**-**	1
Chemicals	**-**	47
Machines and equipment	**559**	-
Electricity, water and gas	**38**	43
Construction	**4,765**	75,588
Trade	**2,596**	3,068
Restaurants and hotels	**13**	61
Transport and communications	**5,013**	39,414
Services	**3,640**	4,893
Consumer credit	**272,050**	94,633
Mortgage loans	**12,804**	37
Other activities	**13,374**	-
	315,467	217,800

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

MZN' 000

	'12	'11
Loans backed by other guarantees	**174,153**	47,441
Unsecured loans	**141,314**	170,359
	315,467	217,800

The recovery of annulled loans and interest during the year or in previous years, carried out during 2012 and 2011, presented by type of credit, is as follows:

MZN' 000

	'12	'11
Loans backed by other guarantees	**51,887**	113,410
Unsecured loans	**12,045**	34,245
	63,932	147,655

18. FINANCIAL ASSETS AVAILABLE FOR SALE

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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Bonds and other fixed income securities				
Issued by public entities	**9,129,847**	9,464,647	**7,670,278**	9,271,793
Issued by other entities	**23,415**	58,517	**-**	-
	9,153,262	**9,523,164**	**7,670,278**	**9,271,793**
Shares and other variable income securities	**46,501**	38,018	**30,619**	31,389
Impairment of shares and other variable income securities	**(7,098)**	(7,098)	**(7,098)**	(7,098)
	9,192,665	**9,554,084**	**7,693,799**	**9,296,084**

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

The breakdown of financial assets by nature is analysed as follows:

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Bonds and other fixed income securities				
Issued by public entities				
Available for sale	**9,129,847**	9,464,647	**7,670,278**	9,271,793
	9,129,847	**9,464,647**	**7,670,278**	**9,271,793**
Issued by other entities				
Available for sale				
National	**23,415**	30,461	**-**	-
Abroad	**-**	28,056	**-**	-
	23,415	**58,517**	**-**	**-**
Shares and other variable income securities				
Available for sale	**46,501**	38,018	**30,619**	31,389
Impairment of shares and other securities	**(7,098)**	(7,098)	**(7,098)**	(7,098)
	9,192,665	**9,554,084**	**7,693,799**	**9,296,084**

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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Balance as at 1 January	**7,098**	7,098	**7,098**	7,098
Allocation for the year	**-**	-	**-**	-
Write-back for the year	**-**	-	**-**	-
Balance as at 31 December	**7,098**	**7,098**	**7,098**	**7,098**

19. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
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 2012, the equity of the subsidiary reached 1,404,882 thousand Meticais.

As at 31 December 2012, the Bank's percentage holding in the subsidiary is demonstrated as follows:

MZN'000

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

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

As at 31 December 2012, the Group's percentage holding in the associates is demonstrated as follows:

MZN'000

Associate	Head office	Share capital	Economic activity	Effective holding (%)		Book value		Result of equity method	
				Dec. 12	Dec. 11	**Dec. 12**	Dec. 11	**Dec. 12**	Dec. 11
Constellation, S.A.	Maputo	1,053,500	Real estate	**17.98**	17.98	**235,498**	210,700	**24,798**	-
Beira Nave	Beira	2,850	Management shipyards	**20.54**	20.54	**17,049**	14,277	**5,881**	-
						252,547	224,977	**30,679**	-

20. OTHER TANGIBLE ASSETS

The movements under the heading of Other tangible assets, during 2012, for the Group and for the Bank, are analysed as follows:

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Real estate properties	**1,329,247**	1,312,684	**534,096**	503,439
Works in rented buildings	**564,021**	451,223	**564,021**	451,223
Equipment				
Furniture	**242,067**	211,792	**236,299**	206,357
Machines	**132,642**	122,284	**129,310**	118,934
Computer equipment	**1,197,534**	934,113	**1,184,655**	920,610
Interior premises	**466,008**	377,086	**464,819**	375,898
Vehicles	**318,661**	287,065	**288,125**	259,467
Security equipment	**196,275**	175,279	**196,276**	175,280
Other tangible assets	**45,812**	44,338	**39,022**	38,067
Fixed assets in progress	**1,583,446**	1,068,859	**1,583,443**	1,068,856
	6,075,713	4,984,723	**5,220,066**	4,118,131
Accumulated depreciation & impairment	**(2,151,755)**	(1,899,769)	**(1,965,659)**	(1,722,516)
	3,923,958	3,084,954	**3,254,407**	2,395,615

The movements under the heading of Other tangible assets, during 2012, for the Group, are analysed as follows:

MZN'000

	Balance as at 1 January	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as at 31 December 2012
Cost					
Real estate properties	1,312,684	306	(22,036)	38,293	1,329,247
Works in rented buildings	451,223	434	-	112,364	564,021
Equipment					
Furniture	211,792	13,723	(103)	16,655	242,067
Machines	122,284	10,487	(129)	-	132,642
Computer equipment	934,113	42,238	(698)	221,881	1,197,534
Interior premises	377,086	16,115	(992)	73,799	466,008
Vehicles	287,065	74,943	(43,347)	-	318,661
Security equipment	175,279	14,297	-	6,699	196,275
Other tangible assets	44,338	1,653	(179)	-	45,812
Fixed assets in progress	1,068,859	984,278	-	(469,691)	1,583,446
	4,984,723	1,158,474	(67,484)	-	6,075,713
Accumulated depreciation					
Real estate properties	(241,070)	(28,769)	16,385	(14)	(253,468)
Works in rented buildings	(200,305)	(31,534)	-	14	(231,825)
Equipment					
Furniture	(119,727)	(14,934)	-	-	(134,661)
Machines	(83,682)	(10,472)	115	-	(94,039)
Computer equipment	(731,595)	(127,064)	377	-	(858,282)
Interior premises	(200,376)	(32,196)	159	-	(232,413)
Vehicles	(191,592)	(48,478)	40,209	-	(199,861)
Security equipment	(99,526)	(13,385)	-	-	(112,911)
Other tangible assets	(31,896)	(2,525)	126	-	(34,295)
	(1,899,769)	(309,357)	57,371	-	(2,151,755)

The movements under the heading of Other tangible assets, during 2012, for the Bank, are analysed as follows:

MZN'000

	Balance as at 1 January	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as at 31 December 2012
Cost					
Real estate properties	503,439	306	(7,942)	38,293	534,096
Works in rented buildings	451,223	434	-	112,364	564,021
Equipment					
Furniture	206,357	13,287	-	16,655	236,299
Machines	118,934	10,376	-	-	129,310
Computer equipment	920,610	42,164	-	221,881	1,184,655
Interior premises	375,898	16,115	(993)	73,799	464,819
Vehicles	259,467	70,178	(41,520)	-	288,125
Security equipment	175,280	14,297	-	6,699	196,276
Other tangible assets	38,067	955	-	-	39,022
Fixed assets in progress	1,068,856	984,278	-	(469,691)	1,583,443
	4,118,131	1,152,390	(50,455)	-	5,220,066
Accumulated depreciation					
Real estate properties	(92,517)	(13,829)	2,290	(14)	(104,070)
Works in rented buildings	(200,305)	(31,534)	-	14	(231,825)
Equipment					
Furniture	(117,552)	(14,424)	-	-	(131,976)
Machines	(80,873)	(10,312)	-	-	(91,185)
Computer equipment	(726,628)	(125,040)	-	-	(851,668)
Interior premises	(199,540)	(31,152)	160	-	(230,532)
Vehicles	(176,273)	(42,978)	38,819	-	(180,432)
Security equipment	(99,526)	(13,385)	-	-	(112,911)
Other tangible assets	(29,302)	(1,758)	-	-	(31,060)
	(1,722,516)	(284,412)	41,269	-	(1,965,659)

21. GOODWILL AND INTANGIBLE ASSETS

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Intangible assets				
Software	**461,761**	379,010	**416,928**	336,693
Fixed assets in progress	**1,912**	6,704	**1,912**	6,704
	463,673	385,714	**418,840**	343,397
Accumulated amortisation	**(331,199)**	(306,871)	**(302,803)**	(283,216)
	132,474	78,843	**116,037**	60,181
Consolidation and revaluation differences (Goodwill)				
Seguradora Internacional de Moçambique, S.A.	**122,313**	122,313	**-**	-
	254,787	201,156	**116,037**	60,181

The movements under the heading of Other intangible assets, during 2012, for the Group, are analysed as follows:

MZN'000

	Balance as at 1 January	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as at 31 December 2012
Cost					
Software	379,010	55,219	(16)	27,548	461,761
Fixed assets in progress	6,704	22,756	-	(27,548)	1,912
	385,714	77,975	(16)	-	463,673
Goodwill	122,313	-	-	-	122,313
	508,027	77,975	(16)	-	585,986
Accumulated amortisation					
Software	(306,871)	(24,330)	2	-	(331,199)
Net value	201,156	53,645	(14)	-	254,787

The movements under the heading of Other intangible assets, during 2012, for the Bank, are analysed as follows:

MZN'000

	Balance as at 1 January	Acquisitions/ Allocations	Disposals/ Write-offs	Transfers	Balance as at 31 December 2012
Cost					
Software	336,693	52,703	(16)	27,548	416,928
Fixed assets in progress	6,704	22,756		(27,548)	1,912
	343,397	75,459	(16)	-	418,840
Accumulated amortisation					
Software	(283,216)	(19,589)	2	-	(302,803)
Net value	60,181	55,870	(14)	-	116,037

22. CURRENT TAX ASSETS AND LIABILITIES

MZN' 000

	Group '12		Group '11	
	Assets	Liabilities	Assets	Liabilities
IRPC recoverable	165,561	-	-	-
IRPC payable	-	-	-	325,975
	165,561	-	-	325,975

MZN' 000

	Bank '12		Bank '11	
	Assets	Liabilities	Assets	Liabilities
IRPC recoverable	141,619	-	-	-
IRPC payable	-	-	-	292,062
	141,619	-	-	292,062

23. OTHER ASSETS

The heading of Impairment for other assets includes, as at 31 December 2012, for the Group and for the Bank, the value of 125,023 thousand Meticais (2011: 125,023 thousand Meticais) relative to the impairment for Investments due to recovered loans.

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Debtors	**43,587**	21,278	**25,021**	19,174
Investments due to recovered loans	**260,463**	257,700	**260,463**	257,700
Other income receivable	**26,199**	51,454	**92,720**	55,068
Prepayments	**13,676**	11,072	**13,590**	10,655
Balances receivable of the insurance activity	**99,268**	109,084	**-**	-
Miscellaneous accounts	**443,817**	342,749	**443,478**	418,559
Reinsurance provisions assigned	**123,962**	186,632	**-**	-
	1,010,972	979,969	**835,272**	761,156
Impairment for other assets	**(164,150)**	(161,187)	**(140,988)**	(140,207)
	846,822	818,782	**694,284**	620,949

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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Balance as at 1 January	**161,187**	158,209	**140,207**	140,397
Allocation for the year	**2,182**	7,749	**-**	4,931
Write-back for the year	**-**	(3,050)	**-**	(3,050)
Uses	**-**	-	**-**	-
Transfers	**-**	(383)	**-**	(383)
Exchange rate fluctuation	**781**	(1,337)	**791**	(1,688)
Balance as at 31 December	**164,150**	161,187	**140,998**	140,207

24. DEPOSITS OF OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Demand deposits of other credit institutions	**64,781**	66,757	**64,781**	66,757
Term deposits of credit institutions	**98,346**	27,422	**98,346**	27,422
	163,127	94,179	**163,127**	94,179
Term deposits of credit institutions				
Deposits of domestic credit institutions	**3,507**	2,081	**3,507**	2,081
Deposits of credit institutions abroad	**94,839**	25,341	**94,839**	25,341
	98,346	27,422	**98,346**	27,422

25. CUSTOMER DEPOSITS

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Demand deposits	**30,595,316**	25,966,535	**30,630,662**	26,001,671
Term deposits	**22,798,050**	18,748,938	**23,589,819**	19,212,095
Other funds	**524,835**	611,417	**1,101,001**	2,362,307
	53,918,201	45,326,890	**55,321,482**	47,576,073

26. DEBT SECURITIES ISSUED

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Debenture loans				
BIM bonds 2003-2013	**-**	-	**17,680**	33,852
BIM bonds 2010-2015	**1,029,762**	1,039,567	**1,029,762**	1,039,567
BIM bonds 2011-2012	**-**	-	**-**	202,399
	1,029,762	1,039,567	**1,047,442**	1,275,818

MZN'000

Description of the issue	Date of issue	Redemption date	Interest rate %	Nominal value	Repayments	Book value 2012
BIM bonds 2003-2013	02-09-2003	22-09-2013	15.125% (a)	65,000	(48,750)	16,250
BIM bonds 2010-2015	15-10-2010	15-10-2015	19.50% (b)	1,000,000	-	1,000,000

(a) Rate corresponding to the average rate weighted by maturity and amounts, of the last six 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, rounded off upwards to 1/16 of a percentage point.

(b) 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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Provisions for indirect credit	**286,486**	221,556	**286,486**	221,556
Provisions for general banking risks	**34,214**	15,665	**34,214**	15,665
Provisions for other risks and costs	**24,139**	73,447	**24,139**	73,447
Technical provision of the insurance activity	**2,917,181**	2,830,842	**-**	-
	3,262,020	3,141,510	**344,839**	310,668

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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Balance as at 1 January	**221,556**	340,055	**221,556**	340,055
Allocation for the year	**132,311**	64,162	**132,311**	64,162
Write-back for the year	**(77,673)**	(162,654)	**(77,673)**	(162,654)
Transfers	**-**	-	**-**	-
Exchange rate differences	**10,292**	(20,007)	**10,292**	(20,007)
Balance as at 31 December	**286,486**	221,556	**286,486**	221,556

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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Balance as at 1 January	**15,665**	6,783	**15,665**	6,783
Allocation for the year	**17,733**	10,054	**17,733**	10,054
Write-back for the year	**-**	(143)	**-**	(143)
Transfers	**-**	-	**-**	-
Exchange rate differences	**816**	(1,029)	**816**	(1,029)
Balance as at 31 December	**34,214**	15,665	**34,214**	15,665

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:

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Balance as at 1 January	**73,446**	37,761	**73,446**	37,411
Allocation for the year	**-**	35,874	**-**	35,874
Write-back for the year	**(35,420)**	(221)	**(35,420)**	(221)
Transfers	**-**	383	**-**	382
Exchange rate differences	**-**	(1)	**-**	-
Uses for the year	**(13,887)**	(350)	**(13,887)**	
Balance as at 31 December	**24,139**	73,446	**24,139**	73,446

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 139,909 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 488,701 thousand Meticais, is recorded through profit or loss under the heading of Other operating income (see Note 6).

28. SUBORDINATED LIABILITIES

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Subordinated loans				
BIM bonds 2003-2013	-	-	**85,416**	86,381
BIM bonds 2006-2016	-	-	**175,320**	176,123
	-	-	**260,736**	262,504

The issued subordinated loans present the following characteristics:

MZN' 000

Description of the issue	Date of issue	Redemption date	Interest rate %	Issue value
BIM 2003-2013	23-11-2003	23-11-2013	14.625% [(a)]	85,000
BIM 2006-2016	14-12-2006	14-12-2016	14.4375% [(a)]	175,000

a) Rate corresponding to the average rate weighted, by maturity and amounts, of the last six 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

Deferred tax assets and liabilities, as at 31 December 2012 and 2011, were generated by temporary differences of the following nature:

MZN' 000

	Group		Group	
	'12		'11	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	**25,641**	**11,963**	15,767	11,963
Financial assets available for sale	-	**1,816**	-	657
Other	**2,507**	**5,826**	2,507	5,622
Deferred tax assets/liabilities	**28,148**	**19,605**	18,274	18,242
	8,543		32	

MZN' 000

	Bank		Bank	
	'12		'11	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	**25,641**	-	15,767	-
Deferred tax assets	**25,641**	-	15,767	-

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

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Balance as at 1 January	**32**	(738)	**15,767**	14,147
Allocation for the year	**9,670**	(3,975)	**9,874**	1,620
Movement under reserves	**(1,159)**	(35)	**-**	-
Other movements	**-**	4,780	**-**	-
	8,543	32	**25,641**	15,767

30. OTHER LIABILITIES

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Suppliers	**89,645**	44,754	**47,629**	7,119
Miscellaneous creditors	**83,266**	126,083	**56,395**	84,019
VAT payable	**3,884**	1,795	**3,884**	1,795
Tax withheld	**70,141**	80,033	**63,602**	73,901
Social Security contributions	**5,397**	4,817	**5,397**	4,817
Costs payable	**201,180**	192,418	**193,946**	180,141
Staff costs	**436,703**	400,851	**404,943**	373,604
Deferred income	**132,158**	147,176	**132,158**	147,176
Consigned funds	**47,158**	47,520	**47,158**	47,520
Other payables	**567,163**	21,951	**564,648**	20,315
	1,636,695	1,067,398	**1,519,760**	940,407

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 2012, the shareholder structure is presented as follows:

	Dec. 12		Dec. 11	
	Nr. shares	**% holding**	Nr. shares	% holding
Millennium BCP Participações, S.G.P.S., 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 – Instituto Nacional de Segurança Social	**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 – Fundação para Desenvolvimento da Comunidade	**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

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Legal reserve	**1,878,629**	1,366,001	**1,878,629**	1,366,001
Other reserves and retained earnings	**3,461,854**	1,451,891	**2,634,860**	853,870
Net income for the year	**3,135,818**	3,647,078	**2,975,749**	3,417,524
	8,476,301	6,464,970	**7,489,238**	5,637,395

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, and this reserve is not normally distributable. Pursuant to the net profit for the financial year of 2011, the Bank allocated the value of 512,628 thousand Meticais to the legal reserve in 2012.

33. DIVIDENDS

Pursuant to the deliberation of the Ordinary General Meeting held on 30 March 2012, the Board of Directors decided to distribute 32.9% of the Net income recorded as at 31 December 2011, after the constitution of the Legal Reserve, to the value of 1,123,905 thousand Meticais.

34. GUARANTEES AND OTHER COMMITMENTS

The off-balance sheet value are analysed as follows:

MZN' 000

	Group		Bank	
	'12	'11	'12	'11
Guarantees provided				
Personal guarantees	**6,617,421**	6,810,742	**6,617,421**	6,810,742
Asset-backed guarantees	**1,204,536**	601,667	**1,204,536**	601,667
Guarantees and sureties received				
Personal guarantees	**137,932,089**	65,369,765	**137,932,089**	65,369,765
Asset-backed guarantees	**41,092,471**	10,435,684	**41,092,471**	10,435,684
Commitments to third parties	**7,039,586**	4,832,436	**7,039,586**	4,832,436
Spot foreign exchange transactions:				
Purchases	**581,653**	517,848	**581,653**	517,848
Sales	**554,499**	489,631	**554,499**	489,631
Forward foreign exchange transactions:				
Purchases	**294,790**	3,071	**294,790**	3,071
Sales	**288,141**	3,073	**288,141**	3,073

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), during the years ended on 31 December 2012 and 2011, are represented as follows:

MZN' 000

Balance Sheet	2012					
	Assets		Liabilities			Off balance
	Funds avail. of CI	Investments of CI	Debits of CI	Customer deposits	Other liabilities	Asset-backed guar. prov.
Banco Comercial Português S.A.	32,582	1,437,630	8,595	-	88,127	841,241
Millennium bcp Bank & Trust (Cayman)	32,115	4,170	-	-	-	4,165
Millennium BCP Partic. S.G.P.S., Lda.	-	-	-	27,175	-	-
	64,697	1,441,800	8,595	27,175	88,127	845,406

MZN' 000

Balance Sheet	2011					
	Assets		Liabilities			Off balance
	Funds avail. of CI	Investments of CI	Debits of CI	Customer deposits	Other liabilities	Asset-backed guar. prov.
Banco Comercial Português S.A.	150,737	1,181,572	12,861	-	99,687	597,843
Millennium bcp Bank & Trust (Cayman)	1,758	3,830	-	-	-	3,823
Millennium BCP Partic. S.G.P.S., Lda.	-	-	-	23,396	-	-
	152,495	1,185,402	12,861	23,396	99,687	601,666

As at 31 December, the income and costs held by the Bank arising from the Group's transactions with related parties (Millennium bcp Group), during the years ended on 31 December 2012 and 2011, are represented as follows:

MZN' 000

Income Statement	2012			2011		
	Income	**Costs**		Income	Costs	
	Interest and equiv. income	**Interest and equiv. costs**	**Other admin. costs**	Interest and equiv. income	Interest and equiv. costs	Other admin. costs
Banco Comercial Português S.A.	**5,378**	**-**	**362,825**	14,813	-	392,870
Millennium bcp Bank & Trust (Cayman)	**56**	**-**	**-**	39	-	-
Millennium BCP Partic. S.G.P.S., Lda.	**-**	**3,495**	**-**	-	-	-
	5,434	3,495	362,825	14,852	-	392,870

Loans to members of the Management and Supervisory Boards and their direct family members, recorded as at 31 December 2012, amounted to 816 thousand Meticais (2011: 875 thousand Meticais), representing 6.8% of the equity (2011: 7.3%). These loans were granted in accordance with the applicable legal and regulatory standards.

As at 31 December 2012, Deposits stood at 125,888 thousand Meticais (2011: 101,306 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:

MZN' 000

	Group		Bank	
	'12	'11	**'12**	'11
Available funds in cash	**2,445,729**	2,272,844	**2,445,729**	2,272,844
Available funds in domestic credit institutions	**108,453**	74,595	**103,418**	74,567
Available funds in credit institutions abroad	**2,414,442**	2,380,136	**2,414,442**	2,380,136
	4,968,624	4,727,575	**4,963,589**	4,727,547

37. FAIR VALUE

Fair value is based on market prices, whenever these are 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 as follows:

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

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

- Customer deposits

Considering the short maturity of this type of instrument, the conditions of the existing 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 six 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. RETIREMENT PENSIONS

As at 31 December 2012, the number of participants covered by this retirement pension plan of the Bank was as follows:

	'12	'11
Retired former Employees and pensioners	**522**	521
Current Employees	**2,001**	2,184
	2,523	2,705

According to the accounting policy, described in note 1 n), the liability due to retirement pensions of the Employees based on the actuarial calculation of the value of the projected benefits is analysed as follows:

MZN' 000

	'12	'11
Liabilities related to past services	**780,217**	711,196
Liabilities related to retired former Employees	**906,915**	925,561
Liabilities related to pensioners	**114,733**	102,324
Total liabilities	**1,801,865**	1,739,081
Coverage value	**1,802,758**	1,739,405
Difference of coverage	**893**	324
Costs for the year	**44,644**	41,152

The coverage value of the liabilities related to retirement pensions is analysed as follows:

MZN' 000

	'12	'11
For current Employees		
Accumulated value of the capitalisation policy + estimated participation in net income	**781,110**	711,520
For retired former Employees		
Current + Income allocated to the Life Annuity policy	**1,021,648**	1,027,885
	1,802,758	1,739,405

The following basic assumptions are used in the calculation of the actuarial value of the liabilities:

	'12	'11
Normal retirement age:		
Men	**60**	60
Women	**55**	55
Salary growth	**5.85%**	11.25%
Growth of pensions	**3.00%**	8.45%
Rate of return of the fund	**7.00%**	12.45%
Mortality table	**PF 60/64**	PF 60/64

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, called 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, called Prestige 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 Bank has not identified any other business segments under IFRS 8, apart from those identified under the IAS.

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 2012

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 the consolidation adjustments.

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

MZN' 000

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 operating earnings	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
Earnings through the equity method	-	-	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

MZN' 000

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

MZN' 000

31 December 2011	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net interest income	3,001,469	2,485,857	363,887	-	5,851,214
Earnings from services and commissions	552,450	741,911	(46,847)	-	1,247,514
Earnings from financial transactions	452,839	370,505	(22,130)	-	801,214
Other operating earnings	147,651	120,766	740,270	(292,909)	715,778
Total operating income	4,154,409	3,719,039	1,035,180	(292,909)	8,615,720
Staff costs	842,531	538,183	115,769	(45,319)	1,451,163
Other administrative costs	979,658	476,333	66,458	(134,204)	1,388,245
Depreciation/amortisation for the year	198,787	66,079	12,762	14,940	292,568
Total operating costs	2,020,976	1,080,596	194,989	(164,584)	3,131,976
Loan impairment	306,694	460,042	-	-	766,736
Other provisions	(26,372)	(24,676)	295,863	-	244,816
Pre-tax profit	1,853,111	2,203,077	544,328	(128,325)	4,472,192
Taxes	291,780	346,884	147,981	-	786,645
Non-controlling interests	-	-	-	38,469	38,469
Net income for the year attributable to Shareholders	1,561,331	1,856,193	396,347	(166,794)	3,647,078

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31 December 2011	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Assets					
Loans and advances to Customers	17,664,077	16,528,139	-	-	34,192,216
Liabilities					
Customer deposits	29,649,487	15,677,403	-	-	45,326,890

40. RISK MANAGEMENT

The Group is subject to a diversity of risks during the normal course of its business. The management of risks 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.

This policy has already been addressed in the chapter on Risk Management at the beginning of this report.

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, as described in the chapter on Risk Management, 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 for the period of 31 December 2012 compared to the same period of 2011:

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	Group						
31 December 2012	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	6,712,922	-	-	-	-	-	6,712,922
Available funds in other credit institutions	2,522,895	-	-	-	-	-	2,522,895
Investments in credit institutions	10,954,279	-	4,165	-	-	2,438	10,960,882
Loans and advances to Customers	12,203,589	2,690,064	23,567,057	182,433	1,046,111	(1,458,953)	38,230,301
Financial assets available for sale	1,538,349	3,751,165	3,935,189	-	-	(32,038)	9,192,665
Other assets	-	-	-	-	-	5,524,046	5,524,046
Total assets	33,932,034	6,441,229	27,506,411	182,433	1,046,111	4,035,493	73,143,711
Liabilities							
Deposits of other credit institutions	163,127	-	-	-	-	-	163,127
Customer deposits	35,681,432	4,508,672	13,377,219	16	-	350,862	53,918,201
Debt securities issued	1,000,000	-	-	-	-	29,762	1,029,762
Other liabilities	-	-	-	-	-	4,918,320	4,918,320
Total liabilities	36,844,559	4,508,672	13,377,219	16	-	5,298,944	60,029,410
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	-	-

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	Group						
31 December 2011	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	25,793,036	6,015,558	26,809,910	22,276	1,078,263	2,379,797	62,098,840
Total liabilities and equity	31,934,933	5,017,748	9,270,900	-	-	15,875,260	62,098,840
Interest rate risk gaps	(6,141,897)	997,810	17,539,010	22,276	1,078,263	(13,495,462)	-
Accumulated interest rate risk gap	(6,141,897)	(5,144,087)	12,394,923	12,417,199	13,495,462	-	-

MZN' 000

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
Assets							
Cash and deposits at Banco de Moçambique	6,712,922	-	-	-	-	-	6,712,922
Available funds in other credit institutions	2,517,860	-	-	-	-	-	2,517,860
Investments in credit institutions	10,897,237	-	4,165	-	-	2,204	10,903,606
Loans and advances to Customers	12,203,589	2,690,064	23,567,057	182,433	1,046,111	(1,458,953)	38,230,301
Financial assets available for sale	1,530,000	2,867,183	3,380,476	-	-	(83,860)	7,693,799
Other assets	-	-	-	-	-	4,588,136	4,588,136
Total assets	**33,861,608**	**5,557,247**	**26,951,698**	**182,433**	**1,046,111**	**3,047,527**	**70,646,624**
Liabilities							
Deposits of other credit institutions	163,127	-	-	-	-	-	163,127
Customer deposits	36,084,798	4,719,068	14,166,738	16	-	350,862	55,321,482
Debt securities issued	1,000,000	16,250	-	-	-	31,192	1,047,442
Subordinated liabilities	-	-	260,000	-	-	736	260,736
Other liabilities	-	-	-	-	-	1,864,599	1,864,599
Total liabilities	**37,247,925**	**4,735,318**	**14,426,738**	**16**	**-**	**2,247,389**	**58,657,386**
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**	**-**	**-**

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31 December 2011	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	25,764,982	5,922,365	26,684,944	22,277	1,078,263	1,416,275	60,889,106
Total liabilities and equity	32,324,414	6,028,630	10,550,368	-	-	11,985,694	60,889,106
Interest rate risk gaps	(6,559,432)	(106,265)	16,134,576	22,277	1,078,263	(10,569,419)	-
Accumulated interest rate risk gap	(6,559,432)	(6,665,697)	9,468,880	9,491,157	10,569,419	-	-

(ii) Sensitivity analysis to interest rate risk in the banking book

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:

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	Group					
	'12			'11		
	American Dollars	**Other foreign currency**	**Total**	American Dollars	Other foreign currency	Total
Assets						
Cash and deposits at Banco de Moçambique	**374,519**	**175,352**	**549,871**	488,324	130,125	618,449
Available funds in other credit institutions	**2,264,238**	**161,554**	**2,425,792**	2,166,697	221,379	2,388,076
Investments in credit institutions	**2,878,659**	**849,851**	**3,728,510**	2,825,116	55,781	2,880,897
Loans and advances to Customers	**8,742,269**	**895,120**	**9,637,389**	5,910,537	620,418	6,530,955
Financial assets available for sale	**-**	**-**	**-**	28,778	-	28,778
Other assets	**18,782**	**1,711**	**20,493**	27,556	64,897	92,453
	14,278,467	**2,083,588**	**16,362,055**	11,447,008	1,092,600	12,539,608
Liabilities						
Deposits of other credit institutions	**5,217**	**100,557**	**105,774**	32,711	22,653	55,364
Customer deposits	**13,098,731**	**1,294,008**	**14,392,739**	10,411,390	887,763	11,299,153
Provisions	**311,684**	**93,398**	**405,082**	432,941	100,030	532,971
Subordinated liabilities	**-**	**-**	**-**	-	-	-
Other liabilities	**593,134**	**428,846**	**1,021,980**	74,444	142,158	216,602
	14,008,766	**1,916,809**	**15,925,575**	10,951,486	1,152,604	12,104,090
Overall operating position	**269,701**	**166,779**	**436,480**	495,522	(60,004)	435,518

MZN' 000

	Bank					
	'12			'11		
	American Dollars	**Other foreign currency**	**Total**	American Dollars	Other foreign currency	Total
Assets						
Cash and deposits at Banco de Moçambique	**374,519**	**175,352**	**549,871**	488,324	130,125	618,449
Available funds in other credit institutions	**2,259,722**	**156,499**	**2,416,221**	2,166,697	221,379	2,388,076
Investments in credit institutions	**2,630,839**	**801,533**	**3,432,372**	2,825,116	55,781	2,880,897
Loans and advances to Customers	**8,742,269**	**895,120**	**9,637,389**	5,910,537	620,418	6,530,955
Financial assets available for sale	**-**	**-**	**-**	771	-	771
Other assets	**5,301**	**270**	**5,571**	4,068	53,727	57,795
	14,012,650	**2,028,774**	**16,041,424**	11,395,513	1,081,430	12,476,943
Liabilities						
Deposits of other credit institutions	**5,217**	**100,557**	**105,774**	32,711	22,653	55,364
Customer deposits	**12,851,091**	**1,245,815**	**14,096,906**	10,490,814	923,225	11,414,039
Provisions	**61,001**	**9,034**	**70,035**	129,211	4,906	134,117
Subordinated liabilities	**-**	**-**	**-**	-	-	-
Other liabilities	**524,361**	**387,528**	**911,889**	53,702	92,170	145,872
	13,441,670	**1,742,934**	**15,184,604**	10,706,438	1,042,954	11,749,392
Overall operating position	**570,980**	**285,840**	**856,820**	689,075	38,476	727,551

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 for 2012 and 2011 also indicate that the Group and the 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.

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	Group				
31 December 2012	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	6,712,922	-	-	-	-
Available funds in other credit institutions	2,522,895	-	-	-	-
Investments in credit institutions	10,956,717	-	4,165	-	-
Loans and advances to Customers	6,508,119	2,213,971	3,004,510	9,807,090	18,671,708
Financial assets available for sale	1,462,023	2,898,599	3,471,185	975,897	384,961
Total assets	28,162,676	5,112,570	6,479,860	10,782,987	19,056,669
Liabilities					
Deposits of other credit institutions	163,127	-	-	-	-
Customer deposits	35,750,400	4,576,659	13,591,127	16	-
Debt securities issued	-	-	29,762	-	1,000,000
Subordinated liabilities	-	-	-	-	-
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

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	Group				
31 December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	18,593,529	5,018,450	9,858,409	9,019,979	17,713,139
Total liabilities	29,721,611	3,759,023	12,331,674	8,093	1,000,000
Liquidity gaps	(11,128,082)	1,259,427	(2,473,265)	9,011,886	16,713,139
Accumulated liquidity gap	(11,128,082)	(9,868,655)	(12,341,921)	(3,330,035)	13,383,104

MZN' 000

31 December 2012	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	6,712,922	-	-	-	-
Available funds in other credit institutions	2,517,860	-	-	-	-
Investments in credit institutions	10,899,441	-	4,165	-	-
Loans and advances to Customers	6,508,119	2,213,971	3,004,510	9,807,090	18,671,708
Financial assets available for sale	1,446,140	2,867,183	3,380,476	-	-
Total assets	**28,084,482**	**5,081,154**	**6,389,151**	**9,807,090**	**18,671,708**
Liabilities					
Deposits of other credit institutions	163,127	-	-	-	-
Customer deposits	36,123,419	4,817,401	14,380,646	16	-
Debt securities issued	30,939	8,379	8,125	-	1,000,000
Subordinated liabilities	-	-	85,736	-	175,000
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**

MZN' 000

31 December 2011	Bank				
	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	18,593,501	5,018,450	9,830,402	8,890,899	17,624,042
Total liabilities	30,195,545	4,812,311	13,158,706	130,869	1,175,000
Liquidity gaps	(11,602,044)	206,139	(3,328,304)	8,760,030	16,449,042
Accumulated liquidity gap	(11,602,044)	(11,395,905)	(14,724,209)	(5,964,179)	10,484,863

Regarding 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 one month) by the historical maturity of the associated core deposits, the Bank's liquidity gap is as described in the chapter on Risk Management in the beginning of this report.

OPERATING RISK

The Bank 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 authorisations; 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.

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 2) 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 (International Financial Reporting Standards) 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 Accounting 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 net book value of non-financial assets received in the repayment of own loans.

CAPITAL DISCLOSURES MZN' 000

	'12	'11
CORE OWN FUNDS		
Tier I capital		
Paid-up share capital	**4,500,000**	4,500,000
Reserves and retained earnings	**4,510,946**	2,217,327
Intangible assets	**(116,037)**	(60,181)
Total Tier I capital	**8,894,909**	**6,657,146**
Tier 2 capital		
Subordinated loans	**157,000**	174,000
Other	**2,543**	9,033
Total Tier 2 capital	**159,543**	**183,033**
Deduction to total own funds	**63,620**	63,620
Eligible own funds	**8,990,832**	**6,776,559**
Risk weighted assets		
In the balance sheet	**37,772,299**	34,642,341
Off balance sheet	**3,606,582**	3,183,725
Ratio of adequacy of core own funds (Tier I)	**21.5%**	17.6%
Ratio of adequacy of own funds (Tier 2)	**0.4%**	0.5%
Solvency ratio	**21.7%**	**17.9%**

42. RISK CONCENTRATION

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

MZN' 000

Group							'12		'11	
Sector	Avail. funds in other credit institutions	Invest-ments in credit institutions	Loans to Customers	Financial assets available for sale	Invest. in associates	Other assets	Total	%	Total	%
Public sector	-	-	4,178,532	9,129,847	-	-	**13,308,379**	**21.5%**	12,550,803	23.9%
Financial institutions	2,522,895	10,960,882	-	992	-	-	**13,484,769**	**21.7%**	7,851,478	14.9%
Agriculture and forestry	-	-	1,512,363	-	-	-	**1,512,363**	**2.4%**	1,525,580	2.9%
Mining industries	-	-	783,605	-	-	-	**783,605**	**1.3%**	32,664	0.1%
Food, beverage and tobacco	-	-	1,203,357	14,890	-	-	**1,218,247**	**2.0%**	1,222,563	2.3%
Textiles	-	-	6,911	-	-	-	**6,911**	**0.0%**	23,971	0.0%
Paper, printing and publishing	-	-	39,006	-	-	-	**39,006**	**0.1%**	34,431	0.1%
Chemicals	-	-	164,494	-	-	-	**164,494**	**0.3%**	234,114	0.4%
Machines and equipment	-	-	1,422,345	-	-	-	**1,422,345**	**2.3%**	1,165,193	2.2%
Electricity, water and gas	-	-	2,596,381	-	-	-	**2,596,381**	**4.2%**	130,270	0.2%
Construction	-	-	3,348,567	-	-	-	**3,348,567**	**5.4%**	2,783,478	5.3%
Trade	-	-	4,961,962	-	-	-	**4,961,962**	**8.0%**	4,852,376	9.2%
Restaurants and hotels	-	-	985,000	-	-	-	**985,000**	**1.6%**	951,789	1.8%
Transport and communications	-	-	2,797,190	23,415	17,049	-	**2,837,654**	**4.6%**	3,083,646	5.9%
Services	-	-	4,435,871	23,521	235,498	-	**4,694,890**	**7.6%**	4,328,271	8.2%
Consumer credit	-	-	8,152,382	-	-	-	**8,152,382**	**13.1%**	9,290,268	17.7%
Mortgage loans	-	-	982,245	-	-	-	**982,245**	**1.6%**	995,867	1.9%
Other activities	-	-	660,090	-	-	846,822	**1,506,912**	**2.4%**	1,555,776	3.0%
	2,522,895	10,960,882	38,230,301	9,192,665	252,547	846,822	**62,006,112**	**100.0%**	52,612,538	100.0%

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Bank							'12		'11	
Sector	Avail. funds in other credit institutions	Invest-ments in credit institutions	Loans to Customers	Financial assets available for sale	Invest. in associates	Other assets	Total	%	Total	%
Public sector	-	-	4,178,532	7,670,278	-	-	**11,848,810**	**19.6%**	12,357,948	23.6%
Financial institutions	2,517,860	10,903,606	-	-	356,148	-	**13,777,614**	**22.8%**	8,201,715	15.7%
Agriculture and forestry	-	-	1,512,363	-	-	-	**1,512,363**	**2.5%**	1,525,580	2.9%
Mining industries	-	-	783,605	-	-	-	**783,605**	**1.3%**	32,664	0.1%
Food, beverage and tobacco	-	-	1,203,357	-	-	-	**1,203,357**	**2.0%**	1,193,762	2.3%
Textiles	-	-	6,911	-	-	-	**6,911**	**0.0%**	23,971	0.0%
Paper, printing and publishing	-	-	39,006	-	-	-	**39,006**	**0.1%**	34,431	0.1%
Chemicals	-	-	164,494	-	-	-	**164,494**	**0.3%**	234,114	0.4%
Machines and equipment	-	-	1,422,345	-	-	-	**1,422,345**	**2.4%**	1,165,193	2.2%
Electricity, water and gas	-	-	2,596,381	-	-	-	**2,596,381**	**4.3%**	130,270	0.2%
Construction	-	-	3,348,567	-	-	-	**3,348,567**	**5.5%**	2,783,478	5.3%
Trade	-	-	4,961,962	-	-	-	**4,961,962**	**8.2%**	4,852,376	9.3%
Restaurants and hotels	-	-	985,000	-	-	-	**985,000**	**1.6%**	951,789	1.8%
Transport and communications	-	-	2,797,190	-	-	-	**2,797,190**	**4.6%**	3,038,908	5.8%
Services	-	-	4,435,871	23,521	-	-	**4,459,392**	**7.4%**	4,117,571	7.9%
Consumer credit	-	-	8,152,382	-	-	-	**8,152,382**	**13.5%**	9,290,268	17.8%
Mortgage loans	-	-	982,245	-	-	-	**982,245**	**1.6%**	995,867	1.9%
Other activities	-	-	660,090	-	-	694,284	**1,354,374**	**2.2%**	1,357,943	2.6%
	2,517,860	10,903,606	38,230,301	7,693,799	356,148	694,284	**60,395,998**	**100.0%**	52,287,848	100.0%

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Shareholders of BIM – Banco Internacional de Moçambique, S.A.

Audit Report

We have audited the individual and consolidated financial statements attached herewith of BIM – Banco Internacional de Moçambique, S.A., which include the individual and consolidated balance sheet as at 31 December 2012, the individual and consolidated statements of income, comprehensive income, changes in equity and cash flow for the financial year ended on that date, and a summary of the main accounting policies and other explanatory information.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and appropriate presentation of these individual and consolidated financial statements, in conformity with the International Financial Reporting Standards in force, and for the internal control deemed necessary to enable the preparation of financial statements that are free of material distortion due to fraud or error.

Responsibility of the Auditor

It is our responsibility to express an opinion on these individual and consolidated financial statements, based on our audit. We conducted our audit in conformity with the International Standards on Auditing. These standards require that we comply with the ethical requirements and plan and conduct the audit for the purpose of obtaining a reasonable degree of certainty as to whether the individual and consolidated financial statements are free of material distortion.

An audit involves the execution of procedures aimed at obtaining audit evidence on the amounts and disclosures presented in the individual and consolidated financial statements. The selected procedures depend on the judgement of the auditor, 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, the auditor considers the relevant internal control for the preparation and appropriate presentation of the individual and consolidated financial statements by the Bank in order to design audit procedures that are suitable under the circumstances but not for the purpose of expressing an opinion on the efficacy of the internal control of the

Bank. An audit also includes assessment of the adequacy of the accounting policies used and reasonableness of the accounting estimates made by the Board of Directors, as well as assessment as to whether the overall presentation of the individual and consolidated financial statements is appropriate.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the individual and consolidated financial statements referred to above present in an appropriate manner, in all their materially relevant aspects, the individual and consolidated financial position of BIM – Banco Internacional de Moçambique, S.A. as at 31 December 2012, the individual and consolidated financial performance and the individual and consolidated cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards.

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Maputo, 21 February 2013

OPINION OF THE SUPERVISORY BOARD

OPINION OF THE SUPERVISORY BOARD

1. Pursuant to the legal and statutory provisions, the Supervisory Board submits to the Board of Directors the Report on the supervisory action performed at BIM – Banco Internacional de Moçambique, S.A., as well as its Opinion on the Consolidated Financial Statements of the Millennium bim Group, the Individual Financial Statements of the Bank and the Report of the Board of Directors relative to the financial year ended on 31 December 2012.

   In compliance with its statutorily entrusted duties, the Supervisory Board:

   - Held meetings with the regularity required by the Articles of Association;
   - Monitored the Bank's activity through the appraisal of the Monthly Financial Statements and respective Management information;
   - Participated in the meetings of the Board of Directors;
   - Met with members of the Board of Directors;
   - Analysed information drawn from the Bank's management information system.

During the analysis of the Accounts of the end of the year, the chairman of the Supervisory Board held specific meetings with the External Auditor and senior staff responsible for the Accounting, Credit, Internal Audit and Risk areas and the Economic Research office.

2. Based on the analysis of the Bank's Individual Financial Statements and their comparison with the values recorded at the end of 2011, the Supervisory Board considers that it is important to highlight the following aspects.

a) In the Balance Sheet

i) The **Net Assets** which increased by 16%, having shifted from MZN 60.9b as at 31 December 2011, to MZN 70.7b as at 31 December 2012, explained in particular by the growth:

- Of 103% (MZN 5,536 M) recorded under the heading "Investments in Credit Institutions";
- Of 11% (MZN 4,280 M) recorded in gross loans which, due to the recent buoyancy of this activity, was boosted considerably during the fourth quarter;
- Of 35% (MZN 859 M) which occurred in Tangible Assets, largely explained by the new head office project, ; and
- By the reduction of 17.2% (MZN 1,602 M) in "Financial assets available for sale".

ii) The **Liabilities** which increased by 15.6% (MZN 7,905 M), having shifted from MZN 50,752 M as at 31 December 2011, to MZN 58,657 M as at 31 December 2012, explained by the increases:

- Of 16.3 % in Customer Deposits (MZN 7,745 M) as a consequence of the good performance, while in the context of a very competitive market for the attraction of funds;
- Of 20.5% in the Remaining headings of the Liabilities (MZN 389 M), and;
- By the reduction of 17.9% (MZN 229 M) in "Debt securities issued".

b) In the Income Statement

Net income decreased by 13%, having shifted from MZN 3,418 M as at 31 December 2011, to MZN 2,976 M as at 31 December 2012, with the following net changes being noteworthy:

- Net Interest Income was lower by 16% (MZN 900 M), affected by the alteration of the monetary policy of Banco de Moçambique, which led to a strong reduction of interest rates on liquidity investments, not immediately applicable to credit operations, forcing the use of alternatives generating substantially lower income;
- "Services and Commissions" grew by 11.5% (MZN 149 M), caused by the review of the respective price list and growth of the number of customers;
- "Financial Transactions" also increased by 23.5% (MZN 193 M), related to the higher volume of foreign currency purchase and sale transactions;
- In "Operating Costs" an aggravation of 11.5% (MZN 356 M) was recorded, where the increased staff costs, of around 15%, weighed heavily;
- "Income from Equity Instruments" generated an increase of 82.5% (MZN 94 M);

• "Other Provisions" increased by 172.5 (MZN 88 M).

Reductions were recorded under the headings of "Taxes", of 18.1% (MZN 115 M) and "Loan impairment", of 39.4% (MZN 302 M).

The quality of the loan portfolio, due to its importance, justifies the presentation of the following comments:

• Loan Impairment declined from MZN 767 M in 2011, to MZN 465 M in 2012, as result, as is stated in the Management report, of lower signs of impairment;

• The cost of risk stood at 112 points in 2012, corresponding to a reduction of 95 points in relation to the previous year;

• The proportion of overdue loans in total loans shifted from 1.7% in 2011, to 2.1% in 2012.

3. The Supervisory Board appraised the Management Report and Accounts, as well as the Financial Statements audited by the External Auditor and its Opinion, which is transcribed below:

"In our opinion, the individual and consolidated financial statements referred to above present in an appropriate manner, in all their materially relevant aspects, the individual and consolidated financial position of BIM – Banco Internacional de Moçambique, S.A. as at 31 December 2012, the individual and consolidated financial performance and the individual and consolidated cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards",

enabling the conclusion:

3.1. That the Consolidated Balance Sheet and the Balance Sheet of the Bank BIM – Banco Internacional de Moçambique, S.A., as at 31 December 2012, appropriately reflect the financial situation of the Group and Bank;

3.2. That the Consolidated Income Statement and the Bank's Income Statement show the consolidated profit of 3,177,021,000 Meticais and the Bank's profit of 2,975,749,000 Meticais, which reflect the outcome of the activity of the Group and Bank.;

3.3. That the Consolidated Comprehensive Income Statement and the Bank's Comprehensive Income Statement show the Group's comprehensive income of 3,138,033,000 Meticais and the Bank's comprehensive income of 2,975,749,000 Meticais, respectively;

3.4. That the Consolidated Cash Flow Statement and the Bank's Cash Flow Statement present a reduction, during the year, in cash and cash equivalents of 2,498,546,000 Meticais for the Group and 2,503,525,000 Meticais for the Bank;

3.5. That the Bank's Statement of Changes in Equity, as at 31 December 2012, shows an Equity of 11,989,238,000 Meticais.

4. As a result of the verification carried out and the information received, as well as the opinion of the External Auditor, the Supervisory Board:

a) Is of the opinion that the Consolidated and Individual Financial Statements of the Bank:

• Are in conformity with the Law and comply with the statutory provisions, as well as the rules issued by the Central Bank;

• Were prepared in accordance with the International Financial Reporting Standards (IFRS); and

• Reflect, in a true manner, the financial situation of the Group and Bank as at 31 December 2012, as well as the result of the operations carried out by the Group and by the Bank during the financial year.

b) It is our opinion that the Board of Directors should:

• Approve the Management Report and Accounts and the Consolidated Financial Statements of BIM – Banco Internacional de Moçambique, S.A. relative to the financial year ended on 31 December 2012;

• Express its praise for the performance of the Executive Committee and all the other employees of Millennium bim during the financial year of 2012.

Maputo, 21 February 2013

THE BOARD OF DIRECTORS

António de Almeida – Chairman

Daniel Filipe Gabriel Tembe – Member

Eulália Mário Madime – Member

Maria Iolanda Wane – Alternate Member

Annual Report 2012
BIM – Banco Internacional de Moçambique, S.A.

www.millenniumbim.co.mz

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Maputo/Moçambique

Share Capital:
MZN 4.500.000.000

Registered at Conservatória
do Registo de Entidades Legais
in Maputo, under nr. 6614

June 2013

Millennium
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