2011 Annual Report MILLENNIUM BIM

Millennium bim

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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.


M

INDEX

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN

In yet another year marked by the international financial crisis, in this annual report on our activity we are particularly pleased and proud that the targets we set ourselves have been considerably exceeded. Millennium bim achieved its best results ever and improved all its financial and management indicators.

This achievement reinforces even more our responsibilities to the financial system through our contribution to the country's economic and social development. We are looking to our future with awareness and determination, conscious of the demanding challenges that lie ahead.

In the first semester 2011 Millennium bim increased its share capital from 1,500 to 4,500 million Meticais by incorporating reserves. This reflected the Shareholders' commitment to the Bank and strengthened its position as the leading banking institution in the market, also in terms of share capital.

Millennium bim makes a substantial contribution to public finance in the country and is the largest employer in the Mozambican financial system, with 2,230 Employees. At regional level (within SADC) with equity of over 10,000 million Meticais and more than 60,000 million Meticais in assets, Millennium bim stands out as a key, solid institution.

Risk management is a fundamental aspect of the business and sustainability of financial institutions. It is one of the main pillars of Millennium bim's growth policy, contributing to the appropriate management of equity levels by correctly assessing the risk profile of its operations and investments.

Prudent and conservative management are fundamental principles for Millennium bim and in 2011 enabled it to reduce the Loan to Deposit ratio to less than 80%, a decisive contribution to improving the Bank's liquidity.

We have maintained our commitment as an active agent in the development of the financial sector and the national economy, promoting the expansion of banking in the country province by province, helping to reduce the informal economy and expanding the provision of banking services.

Millennium bim currently possesses the largest stock of ATM and POS networks in the country, with 345 and 3025 respectively, and the Commercial Network now has 138 branches. We are thus the Bank with the largest Commercial Network in Mozambique distributed across 51 districts, and the only Commercial Bank in 14 districts.

The Customer is our source of inspiration. We work for the Customer, developing innovative products and services that are relevant to both individuals and companies, and strengthening the Bank's position as the Brand of Confidence in Mozambique.

This confidence is reflected in the rising Customer base that in October 2011 surpassed one million. This landmark is of great pride for our institution.

The prizes, nominations and distinctions we have received reflect national and international market recognition of our financial results and efforts to expand banking in the country. This year we received the largest number of awards ever, namely: Bank of the Year in Mozambique awarded by *The Banker,* Best Local Bank in Africa awarded by IC Publications as part of the *African Banker Awards*, Best Bank in Mozambique by *Emeafinance* and by the *Global Finance*, Best Banking Group in Mozambique by *World Finance,* Best Mozambican Brand in the banking sector by the multinational GFK and finally, the Superbrand awarded by Superbrands Moçambique.

Our Employee management policy is based on responsibility, developing qualifications and building competence. It is our intention that Employees should continue to respond to challenges with quality, efficiency, motivation, commitment and responsibility

Our Social Responsibility Programme *Mais Moçambique p'ra Mim* continues to receive special attention as it regulates our way of being and living within society. We focus on education, culture and sport as they contribute to building human capital. Our attitudes and actions show unequivocally our social responsibility commitment.

In conclusion, and with a sense of a mission accomplished, on my own behalf and on behalf of the Board of Directors I would like to thank our Shareholders, all our Customers, our Employees and the Authorities who have enabled Millennium bim to exceed its targets, encouraging us to address new challenges.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.
SUMMARY OF INDICATORS

Million Meticais

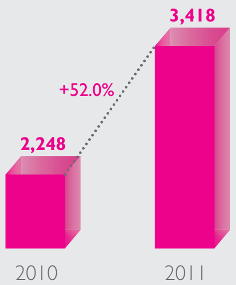
	'11	'10	'09	'08	VAR. % '11/'10
Balance Sheet					
Total assets	60,889	54,326	48,274	35,477	12.1%
Loans and advances to Customers (net)	34,192	34,982	27,540	17,017	-2.3%
Total Customer resources	48,852	44,634	39,163	29,465	9.5%
Shareholders' equity and Subordinated debt	10,400	8,107	6,623	5,135	28.3%
Profitability					
Net operating revenue	7,873	6,560	5,049	4,113	20.0%
Operating expenses	3,102	2,934	2,327	1,950	5.7%
Impairment and Provisions	716	961	453	91	-25.5%
Taxes on profits	639	417	349	317	53.2%
Net income attributable to Bank Shareholders	3,418	2,248	1,919	1,755	52.0%
Efficiency ratio	39.4%	44.7%	46.1%	47.4%	
Returns on average equity (ROE)	38.8%	32.1%	36.3%	45.0%	
Returns on average assets (ROA)	6.0%	4.4%	4.8%	5.5%	
Credit quality					
Non-performing loans over 90 days/Total loans	1.5%	0.9%	0.9%	0.8%	
Non-performing loans/Total loans	1.7%	1.1%	1.0%	0.9%	
Loan impairment/Non-performing loans over 90 days	479.4%	569.2%	494.3%	486.4%	
Risk cost	208 p.b.	199 p.b.	143 p.b.	30 p.b.	
Solvency (*)					
Tier I	17.6%	14.6%	13.7%	11.9%	
Total	17.9%	15.1%	14.7%	13.5%	
Branches					
Branches	138	126	117	101	9.5%
Customers					
Customers (thousand)	1,024	864	706	555	18.6%
Employees					
Employees	2,230	1,950	1,805	1,635	14.4%

(*) Excluding income for the year in question.

HIGHLIGHTS

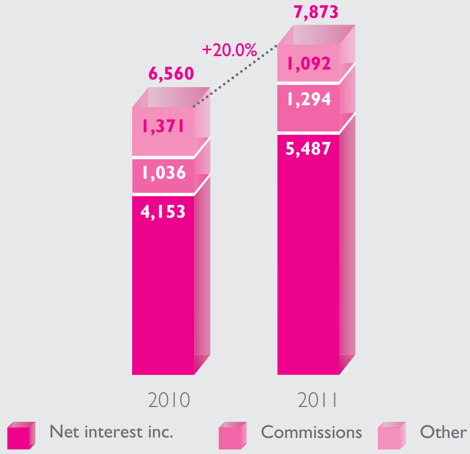
NET INCOME

Million MZN



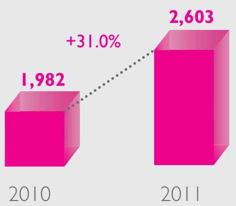
NET OPERATING REVENUE

Million MZN



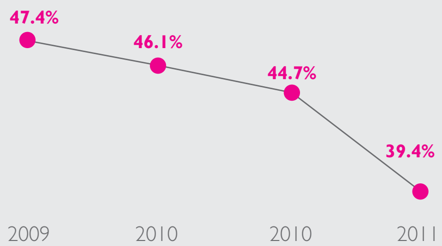
LOAN IMPAIRMENT

Million MZN

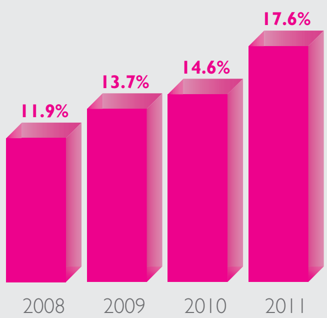


As % of gross credit	5.4%	7.1%

EFFICIENCY RATIO



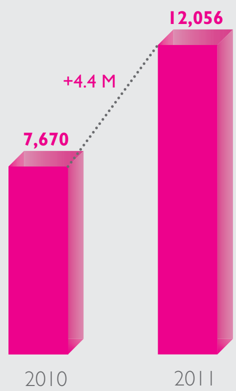
TIER 1



RWA (M MZN)	23,936	30,092	37,866	38,334
Total Ratio	13.5%	14.7%	15.1%	17.9%

COMMERCIAL GAP

Million MZN



Loan to deposit ratio	83%	79%

SUMMARY OF THE REPORT BY THE BOARD OF DIRECTORS

In 2011 Financial Institutions throughout the world operated in a macroeconomic environment characterised by extremely volatile financial markets, in particular the sovereign debt markets in European Union countries. During this period world economic recovery was a moderate 4% (5.1% in 2010), with differences in the pace of recovery. In other words, growth in western economies was less robust than in emerging economies where China stood out with estimated growth of 9.5% in 2011.

Given the macroeconomic scenario in the USA and the Euro Zone, with a slowdown in economic growth compared to end 2010 levels, Central Banks decided to keep interest rates low and inject liquidity into markets to reduce the recessionary impact on aggregate private investment and consumption demand, and reduce the impact of falling employment rates.

According to the International Monetary Fund (IMF), estimated economic growth in 2011 in sub-Sahara Africa was 5.2% but the real growth rate for Mozambique should be 7.5%. This growth reflects the beginning of mega-project activities in the mining sector that were initially delayed, as well as investments in the tourism, transport and communications and infrastructure sectors.

Measures taken by the *Banco de Moçambique* (BM) in 2010 to contain money supply were effective, with a fall in inflation to less than 10% and appreciation of the Metical against the main international currencies. The reduction in the inflation rate enabled the monetary authorities to make two adjustments to the PCF (Permanent Credit Facility) during the second semester, from 16.5% to 15%.

In 2011 Millennium bim improved all its main financial and management indicators. Despite investment in expanding its branch network the Bank increased substantially its consolidated net income, reduced its credit transformation ratio to less than 80%, and increased its volume of deposits in Meticais by some 18%. The Bank also stood out as the State's biggest taxpayer in the financial sector and through national and international recognition of its social responsibility programme.

The strong indicators of good management were demonstrated not only by growth in net income, but also by the fact that it is the most solid financial institution in the market, with the most robust equity structure and an excellent solvency ratio. In the first semester the Bank increased its share capital by incorporating reserves, a rise of 1,500 to 4,500 million Meticais, strengthening its commitment to the sustained development of Mozambique. In addition, its strategy of attracting resources enabled it to strengthen substantially its liquidity ratios.

In 2011 the Bank continued its strategy of growth supported by the branch network expansion programme. Expansion of the network to 138 branches across the country is an unequivocal sign of Millennium bim's commitment to delivering banking services to the population. This emphasis on proximity and relations with the Customer made a decisive contribution to achieving the one million Customers mark, almost double the figure for the rest of the Mozambican financial system.

In addition, and in order to guarantee top quality service for its Customers, Millennium bim increased its stock of ATM and POS and continued to emphasise innovative products and services such as the new mobile phone application Millennium SMS. Also in the innovation field, Millennium bim continued its tradition of leadership in new products for the market, in particular: the *e-Commerce Netshop platform*, scanning cheques in Internet Banking and the Family Savings Plan. Work also began on implementing the MilleTeller in the branches, and should be concluded in the first quarter of 2012. The purpose of this application for managing cash transactions is to eliminate the need for Customers to fill out deposit slips and release notes, thereby improving service quality and reducing operating risk.

Due to rigorous management and strong market recognition, Millennium bim maintained its dominant position in retail banking and in the Corporate and Prestige segments (Companies and Individuals), in a sector that has become more dynamic and competitive. The Department of Institutional Customers was created to provide more appropriate assistance for the State-Customer, designing proposals that address its specific needs.

Given its results, financial indicators and growth, as well as its good management practices, various national and foreign institutions elected Millennium bim as the best brand, the best bank and the best financial group with the result that it received the largest number of awards ever. The main awards during the year honouring the work and commitment of all Employees, were the following: (i) Bank of the Year in Mozambique by *The Banker* A Financial times publication; (ii) Best Local Bank in Africa awarded by IC Publications as part of the *African Banker Awards*, (iii) Best Bank in Mozambique awarded by *Emeafinance* and also (iv) by *Global Finance*, (v) Best Banking Group in Mozambique by *World Finance*.

Millennium bim was also acknowledged as Best Mozambican Brand in the banking sector by the multinational GFK and also as a Superbrand by *Superbrands Moçambique*.

Consolidated net income was more than 3.6 thousand million Meticais, over 50% higher than in 2010. Net interest income was up 32% and net operating revenue 20%. Returns on equity (ROE) were 38.8% comparing favourably with 32.1% in 2010.

Total assets reached 60,889 million Meticais, a rise of some 12.1% compared to 2010. Due to the strong appreciation of the Metical throughout the year, nominal credit to Customers fell by 0.5% while Customers' resources rose by 9.5%. However, excluding the exchange rate effect, credit rose by 3.4% and resources by 14.7%.

The ratio of overdue loans over 90 days to total credit rose to 1.5%, with coverage by provisions of 479%. The efficiency ratio improved: 39.4% compared to 44% in 2010.

The Millennium bim subsidiary, *Seguradora Internacional de Moçambique*, maintained its leadership of the insurance market with a 10.5% rise in processed revenue. Net income was 396 million Meticais, 59.5% higher than in 2010.

Conscious that its action is a determining factor in raising social awareness, in 2011 the Bank continued its policy of regular support for social intervention institutions through constant activities to promote the well-being of the communities of which it is part, through sponsorship and its Social Responsibility Programme *"Mais Moçambique pra Mim* – MMpM", now in its sixth year.

The Bank's work under "MMpM" is widely recognised as having a relevant role in society, leading various other institutions to join the Bank in its activities.

The Bank reaffirmed its commitment to implementing the principles of the United Nations Global Covenant on human rights, labour and the environment and supporting implementation of the objectives of FEMA – *Fórum Empresarial para o Meio Ambiente* (Enterprise Forum for the Environment). The Bank carried out various activities, including in particular: the 6th Mini Basketball Competition; a Recycling Project; "A Cleaned City for Me"; the Banking Olympics and Millennium bim Responsible (voluntary activity).

The main strategic focal points established for 2011 were thus met *i.e.* improving the efficiency and quality of services, innovation and expansion of the business base, and increasing the Banks profitability.

SHAREHOLDER STRUCTURE

Meticais

Shareholder	Nr. shares	% Share capital	Subscribed and paid up capital
Millennium BCP Participações, S.G.P.S., Soc. Unipessoal, Lda.	30,008,460	66.69%	3,000,846,000
Mozambique State	7,704,747	17.12%	770,474,700
INSS – Instituto Nacional de Segurança Social	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
FDC – Fundação para o Desenvolvimento da Comunidade	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 – 1.618 investors with an individual holding of less than 1%, acquired under the sale of State shares to Workers.

CORPORATE BOARDS

GENERAL SHAREHOLDERS' MEETING

CHAIRMAN:	Fernando Everard do Rosário Vaz
DEPUTY CHAIRMAN:	Venâncio Mondlane
SECRETARY:	José da Cunha Mello (1)

AUDIT BOARD

CHAIRMAN:	António de Almeida
MEMBER:	Eulália Mário Madime (1)
MEMBER:	Armando Pedro Muiuane Júnior
SUBSTITUTE 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 (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:	Júlio Eduardo Zamith Carrilho
DIRECTOR:	Salomão Munguambe
DIRECTOR:	António Pedro Oliveira (1)

(1) Appointed on the 24th of March 2011.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MACROECONOMIC AND FINANCIAL OVERVIEW

WORLD ECONOMY

The world economy continued to grow, albeit with signs of a slowdown in 2011. It is estimated that growth was around 4.0% in 2011 compared to 5.1% in 2010.

The global economy is recovering from the 2009 crisis (-0.7%), with signs of different paths to recovery: although only one third of world GDP comes from emerging economies although they account for two thirds of global growth.

1. WORLD ECONOMIC OVERVIEW

RECOVERY OF WORLD ECONOMIC ACTIVITY IN WESTERN COUNTRIES IN 2011

Growth was slower in the more developed countries in the West that are feeling the effects of the economic and financial crisis most acutely. This group includes in particular the USA that, despite estimated growth of 1.6% in 2011 (3.1% in 2010), has an unemployment rate of around 9.1%, as well as a political impasse in fiscal consolidation, the real estate market and weak consumption.

On the one hand, the rise in unemployment rates hampers financial recovery by families. On the other hand, the fact that budget policy is unsustainable, due to the weight of State debt and the need to cut public expenditure, is having recessionary effects and undermining economic growth and job creation.

GROWTH IN EMERGING COUNTRIES IN 2011

In contrast, emerging countries recorded robust growth, China in particular with estimated growth of around 9.5% in 2011.

In the case of emerging countries as a whole, and given the slow growth in Europe and the United States, there is the issue of achieving a new equilibrium by changing from export-based to domestic demand-led growth.

Countries in Latin America have successfully pursued such an agenda, in contrast to Asian economies. In particular, rising demand in Latin American economies is the result of expansionist fiscal and monetary policies. In the coming years this will mean that fiscal deficit will have to be contained and accommodating policies removed as they could result in inflation. Countries such as China, however, continue to work on restructuring the domestic economy (i) by increasing income and demand; (ii) through fiscal stimulation and monetary expansion; (iii) and by restructuring markets to increase capacity to absorb capital flows.

These actions produce a stronger ability to resist shocks arising from the more developed countries.

SOVEREIGN DEBT CRISIS IN EURO ZONE MEMBER STATES

The transmission mechanism between the sovereign debt situation, manifested by a lack of fiscal sustainability, and the fragility of financial institutions, with a recessionary impact on the real economy in the Euro Zone was the object of various European Union summits. The package of solutions proposed in the last week in October contained the following:

(i) Reducing Greek debt to sustainable levels through 50% forgiveness by private creditors;

(ii) Recapitalising banks amounting to approximately 146 million Dollars;

(iii) Creation of a security fund of some 1,0 trillion Euros to prevent it from spreading to larger countries, Italy in particular, that has the second largest public debt in the Euro Zone.

FACTORS WITH AN IMPACT ON ECONOMIC GROWTH IN 2011

Factors that had a major impact on the growth path and the configuration of confidence in markets were:

(i) Popular uprisings in various oil exporting countries in North Africa and the Middle East. With their epicentre in Tunisia and Egypt, they spread throughout the region, gaining new momentum, reaching Libya and with the strong probability of affecting Syria and Iran. For these reasons, there was a build-up of uncertainty about the outcome of the dynamics of these events – either Western democracies (of the Turkish kind) or Islamic fundamentalism (of the Iranian type).

(ii) The devastating earthquake and tsunami in Japan affected various industries in other countries that serve the automobile sector and electronic products value chain.

(iii) Finally, the sovereign debt crisis in Europe. The dilemma faced by peripheral countries in Europe concerns fiscal austerity measures to restore public accounts balances. Such measures are of a recessionary nature and this does not help economic growth, a necessary condition for the sustainability of debt. Despite various decisions by the European Union, the absence of firm action in assisting indebted countries has increased public debt yields in the market. This intensifies loss of confidence in the financial sector and thus weakens normal financing circuits for companies and families. This scenario prevails even with the ECB position on cutting interest rates, injecting liquidity and buying sovereign debt from Spain and Italy in secondary markets.

EVOLUTION OF GDP 2009-2011

	'09	'10	'11 (E)
World economy	-0.7	5.1	4.0
USA	-3.5	3.1	1.6
Euro Zone	-4.3	1.8	1.6
China	9.2	10.3	9.5
Brazil	-0.6	7.5	3.8
Sub-Saharan Africa	**2.8**	**5.4**	**5.2**
Mozambique	6.4	6.3	7.2
Angola	2.4	4.5	7.0

Source: IMF, World Economic Outlook (Sept. 2011).

MAJOR CHALLENGES FOR 2012

It is expected that in 2012 the world economy will grow by 3.25%, influenced negatively by a recession in the Euro Zone (-0.5%) and by anaemic growth in the more developed economies (1.2%) despite growth in emerging and developing economies, especially China with 8.2%. Risks to the global growth scenario arise from fragility in the Euro Zone financial system and the economic impacts of fiscal consolidation measures.

There will be a number of challenges in 2012, in particular: (i) containing the sovereign debt crisis in peripheral countries in Europe; (ii) equilibrium between medium-term fiscal consolidation and support for growth in the USA and (iii) containing the volatility of financial markets. The possibility that this set of assumptions on growth may not materialise suggests risks for the impact on capital flows and foreign trade levels, affecting the growth of emerging economies.

UNITED STATES OF AMERICA

The GDP of the USA should have grown by some 1.6% in 2011. The economy slowed down in the first quarter of 2011 (from 2.75% in June 2010 to 1% in June 2011), due to upsets arising from the tsunami in Japan and its effects on the automobile industry, and the slow rise in private consumption in a scenario of falling confidence among families and companies as well as volatile financial markets.

In the latter case, the USA's credit rating was downgraded and the sovereign debt situation in Europe produced a tense climate in markets, causing investment strategies that translated into "playing safe".

In 2011 a number of challenges for the direction of economic policy in the world's biggest economy unfolded: (a) slow growth and unemployment led to continued accommodation measures involving low interest rates and injecting liquidity into the market; (b) the need for Congress to raise the public debt limit in order to avoid a default scenario.

CHINA

China sustained a relatively robust growth rate despite a gradual fall in output in the last two quarters of 2011 due, on the one hand, to the introduction of restrictive monetary policies and, on the other hand, deteriorating export markets. In the last quarter of 2011, GDP growth was 8%. The government's five-year plan gives priority to changing the focus of the external market growth paradigm to the internal market, proposing: (i) improving living standards (2) and (ii) developing industries with more value added.

The recovery of the world economy and capital flows to emerging countries caused some concern about galloping inflation and the appearance of price bubbles. In this respect, during the year China implemented an aggressive policy to fight inflation by increasing interest rates, controlling the volume of credit, and a substantial rise in the statutory reserve rate. These measures had the desired effects and inflation fell from 6.5% in June to around 4.3% at the end of the year. This trend provides room for measures to stimulate the economy, which could mitigate the effects of slow growth in Europe and the United States by strengthening domestic demand by working on aimed at structural transformations in the economy.

AFRICA

It is estimated that Sub-Sahara Africa as a whole grew by some 5.2%, an average figure that is not very representative given the heterogeneous nature of the countries on the continent. Indeed, oil exporting countries had above average rates, in particular Angola (7.6%) and Nigeria (7.5%). Countries with more

(2) Despite being the second largest economy in the world, its GDP *per capita* is the same as that of Algeria, placing it 92nd in the world.

diversified exports, especially in East Africa, performed well despite setbacks arising from drought, as in the case of Kenya (5.8%) and Tanzania (6.7%). This growth is based on falling demand for commodities, supported essentially by the reorientation of external trade to Brazil, India and China with a heavy concentration of primary products, fuel in particular.

Global growth in 2011 was accompanied by spiralling inflation with rising prices for energy and food products. This situation forced a reversal of measures to support the growth of aggregate demand that existed at the time of the 2009 crisis. According to the IMF, up to June last year average inflation was 10% (7.5% June 2010). The macroeconomic picture in 2011 was characterised by rising public deficits accompanied by cycles of tighter monetary measures as, for example, in the case of (a) Nigeria – a rise of 325 basis points in the monetary policy rate (3), to 12.0% accompanied by a rise in statutory reserves from 4 to 8%; and (b) Kenya – the limit on the foreign exchange exposure of commercial banks was reduced from 20% to 10% of equity.

SOUTH AFRICA

GDP growth in South Africa was an estimated 3.1% in 2011 (2.8% in 2010). This was driven by private consumption (4) that rose 3.8% in the second quarter (5.2% in the first quarter), and by gross fixed capital formation that rose 4.0% in the second quarter (2.7% in the first quarter).

This rise in aggregate demand was due in part to continued accommodating monetary policies in the light of a benign inflation scenario. However, in contrast, there were adverse factors in the first semester of last year that impacted on the pace of economic recovery, in particular: (i) drought and late rains that affected agriculture; (ii) a sharp drop in the automobile sector due to disruptions in the value chain following the tsunami in Japan; (iii) a strike that had a direct impact on the mining sector.

As regards prices, there was a growing inflationary trend due to rising food prices and the depreciation of the Rand.

The risk of inflation rising above the official interval of 3 to 6% set by the authorities is an economic policy dilemma with a direct impact on monetary policy. If altered, a rise in interest rates will have cushioning effects on the upturn, requiring it to remain below pre-crisis levels.

However, by maintaining the monetary policy rate at 5.50% the South African Reserve Bank is sending a signal about the authorities' emphasis on economic growth. Other relevant factors that add to the risk of an inflationary spiral in South Africa are associated with trade union demands for salary adjustments. In July and August there was clearly a major difference between what companies are offering and what workers are demanding, raising the possibility of prolonged negotiations with a negative impact on productivity levels and market confidence.

The public accounts indicate that the deficit could be around 5.5% of GDP, only falling to 4.5% of GDP in 2014. As regards the external balance, there was a substantial reversal of the trade balance. It went from a surplus of 2.5 thousand million Rands in September to a deficit of 9.6 thousand million Rands in September. It is estimated that the current account balance as a percentage of GDP was -3.5% in 2011. The country's foreign exchange reserves at the end of the year were 50 thousand million Dollars.

(2) Despite being the second largest economy in the world, its GDP per capita is the same as that of Algeria, placing it 92nd in the world.
(3) Nigeria's monetary policy rate (MPR). This was 8.75% in August and 9.25% in September 2011.
(4) To a large extent associated with repairs to family balance sheets where the debt/income ratio fell from 82% (2008) to 76% (2011).

2. MOZAMBICAN ECONOMY

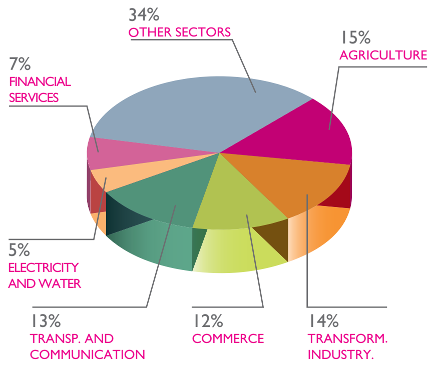
ECONOMIC GROWTH AND INFLATION

It is estimated that in 2011 Mozambique's GDP recorded real growth of some 7.5%. This reflects the intensity of mega-projects in the mining sector, accompanied by investments in the transport, telecommunications, tourism and public investment sectors.

Signs of recovery in the global economy since the last quarter of 2010 as well as the re-orientation of traditional exports to emerging countries in Asia and Brazil reflected more dynamism in the export sector, creating more solid foundations for Direct Foreign Investment confidence in the extraction, agro-processing and tourism sectors.

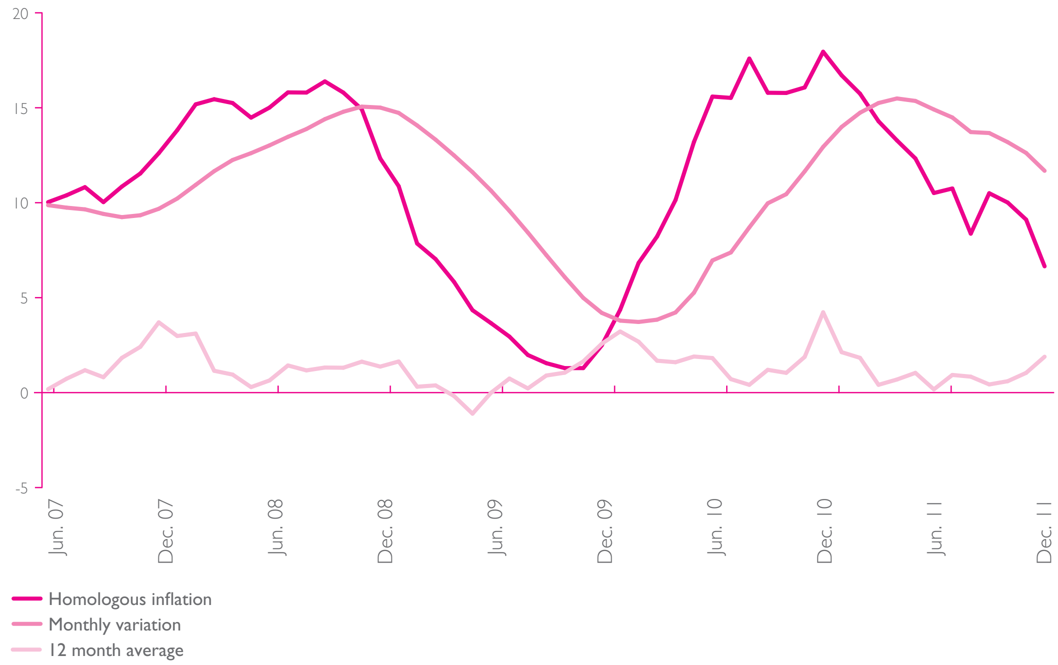
At the same time, the programme to fight poverty meant public investments in public infrastructure: rural electrification, roads and water supply.

GDP BY SECTOR (IV QUARTER 2011)



Source: INE.

EVOLUTION OF INFLATION IN MOZAMBIQUE



Source: INE.

Prices in general tended to fall in 2011, reflecting base effects in homologous terms with rising prices for energy and food products that accompanied the global economic recovery from January 2010. This scenario gave way to stabilisation measures and in particular measures to fight inflation, through three cycles of monetary tightening when the monetary authorities increased the reference rates from 11.0% to 16.50%.

In the same period, the mandatory reserves rose from 8.0% to 8.75%. These measures to contain money supply, supplemented by the decision to intervene in the foreign exchange market, worked and inflation fell from 17.4% in December 2010 to 6.1% in December 2011. The Metical appreciated against the USA Dollar and the South African Rand.

Due to the successful fight against inflation in the second half of 2011 *Banco de Moçambique* reduced the Permanent Credit Facility (PCF) by 1.5 percentage points in two cycles, from 16.5% to the current 15.0%.

Macroeconomic Indicators	'07	'08	'09	'10	'11 (E)
Real GDP (a.v.r.)	7.50%	6.80%	6.30%	7.20%	7.50%
Inflation (average v.r.)	8.2%	10.3%	3.4%	12.7%	8.4%
Money supply (a.v.r.)	25.0%	26.0%	34.6%	25.4%	8.1%
Current account balance (% of GDP)	-9.2%	-12.2%	-10.5%	-13.4%	-12.4%
Budget balance (as % of GDP)	-5.3%	-2.3%	-5.4%	-6.0%	-7.0%
Exchange rate MZN/USD end of period	23.82	25.5	29.19	32.79	28.0
% variation MZN/USD exchange rate	-8.3%	7.1%	14.5%	12.3%	-14.6%
MZN/ZAR exchange rate end of period	3.50	2.72	3.96	5.03	3.40
% variation MZN/ZAR exchange rate	-8.4%	-22.3%	45.6%	27.0%	-32.4%

Sources: Government/IMF and *Banco de Moçambique*.
E – estimates except exchange rate (Mbim) and inflation(INE).
a.v.r. – annual variation rate.

PUBLIC ACCOUNTS

Total revenue rose to 40% due to continued efforts by the *Autoridade Tributária de Moçambique* (Mozambique Tax Authority): (i) collecting taxes from previous years; (ii) publicity and fiscal education that increased the tax base; (iii) taxing income non-residents transfers overseas; (iv) inspecting rent contracts and (v) more dynamic collection of VAT and taxing external trade transactions.

Total expenditure rose by 36% over the same period, driven by expenditure on personnel (24.7%), reflecting the introduction of a location allowance and more civil service staff, debt charges under the payment of compensation to petrol stations, a rise in interest on foreign debt (47.1%) and a 35% rise in investment expenditure.

The primary balance was 8,571 million Meticais, about 2.3% of GDP, a nominal rise of 35.1% in the second semester of 2011 compared to the same period the previous year. The overall deficit before grants rose by 30% (5.7% of GDP) due to a 35% rise in investment expenditure. As regards budget funding, domestic revenue covered 64.3% of total expenditure, the remainder being financed by unilateral transfers that accounted for 32.8% of all sources, and net external loans that accounted for 6.3% of total financing sources.

EXTERNAL BALANCE

In the second semester of 2011, the current account balance had a deficit of 638 million Dollars, 26% less than the same period the previous year. This was due to a fall in the trade balance that, despite a rise in exports (21%), suffered the cushioning effects of imported energy and food products, as well as equipment associated with Direct Foreign Investment in capital intensive mining industries. At the same time and in the same direction, there was the negative effect of increased net service payments to non-residents that rose from 228 to 484 million Dollars.

Unilateral transfers rose by 57% reflecting deficit reduction relief on the trade and services balance totalling 659 million Dollars. Finance for the current deficit was supported by the entry of Direct Foreign Investment (642 million Dollars), triple the amount in the same period in 2010, due to increased confidence about the investment climate in Africa, as well as the disbursement of external loans amounting to 315 million Dollars in the same period.

CURRENT ACCOUNT BALANCE

Million USD

	2010 S1	2011 S1
Export of goods	1,074.6	1,299.8
Import of goods	-1,732.0	-2,105.0
Export of services	316.6	423.9
Import of services	-544.4	-882.4
Factor remuneration received	86.8	111.8
Factor remuneration paid	-126.9	-145.1
Transfers from abroad	469.6	720.2
Transfers abroad	-50.3	-61.3
Current account balance	-506.0	-638.1

Source: *Banco de Moçambique.*

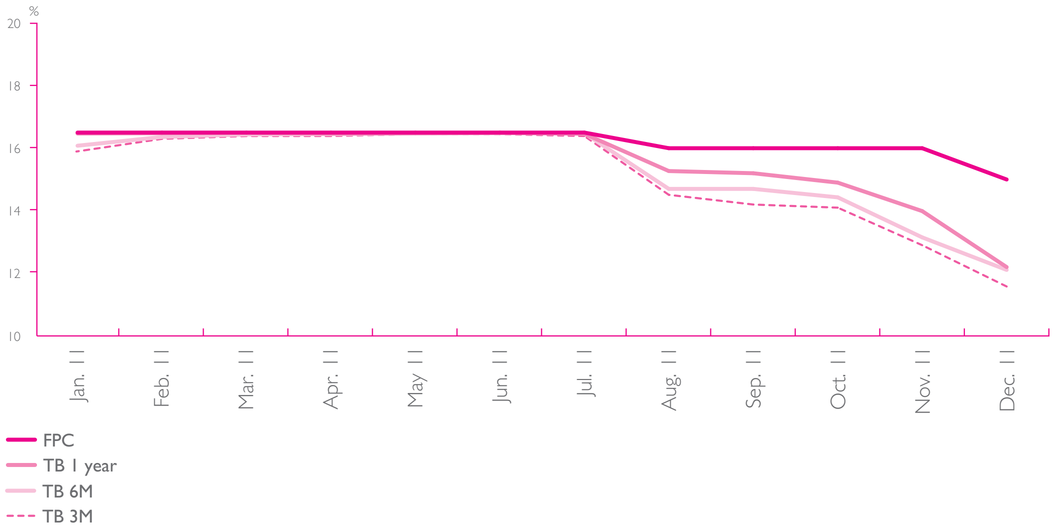
The Metical continued its appreciation against the Dollar, with an estimated nominal gain of 25% between September 2010 and September 2011. At the end of the third quarter the net reserves balance was 2.13 thousand million Dollars, 20.5% higher than the same period the previous year.

3. MOZAMBICAN FINANCIAL SYSTEM

In January 2011, *Banco de Moçambique* decided to revise its Interbank Money Market (IMM) intervention rates, increasing the Permanent Credit Facility (PCF) by 100 bp to 16.50% and the Permanent Deposit Facility by 100bp to 5.00% maintaining the tight monetary policy it implemented in 2010.

In August *Banco de Moçambique* decided to reverse its monetary policy with its first reduction in the PCF in two years from 15.50% to 16.00%. In December it again reduced, this time by 100 bp to 15%.

EVOLUTION OF INTEREST RATES – TREASURY BILLS – MZN



Source: *Banco de Moçambique.*

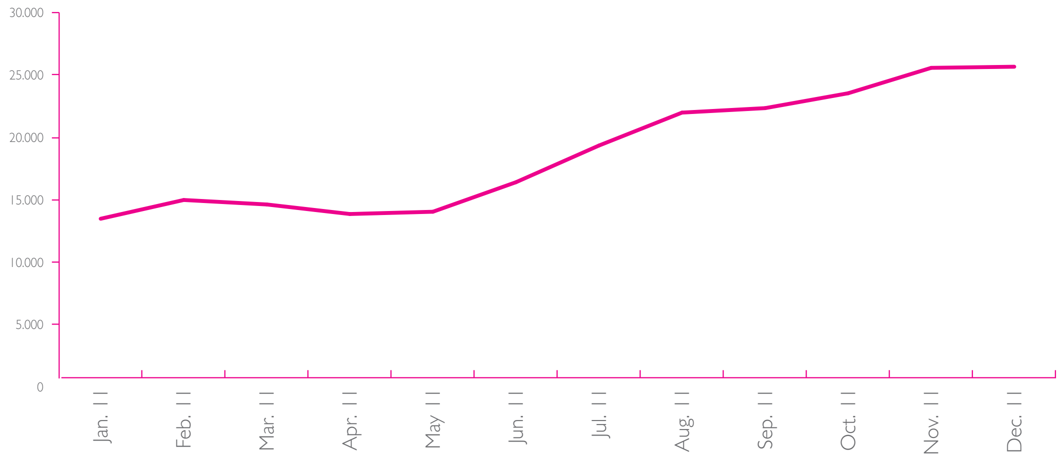
This policy change had a major impact on the market. The expectation of new cuts in reference rates combined with the system's increased liquidity in the third quarter of 2011, was reflected in Auctions of Treasury Bills and also in the liquidity exchange rates in the Interbank Money Market.

Up to mid-2011 the spread between the PCF and the IMM was practically eliminated. Following the first cut in rates the spread widened considerably by more than 300 bp at the end of the year. Rates for Treasury Bills in all maturities also fell significantly.

The Mandatory Reserves rate accompanied the fall in the reference rate. In August it was revised down from 9.00% to 8.75% and in December to 8.50%. This reduction freed a little more liquidity for the Market.

SYSTEM'S LIQUIDITY

Thousand MZN



Source: *Banco de Moçambique*.

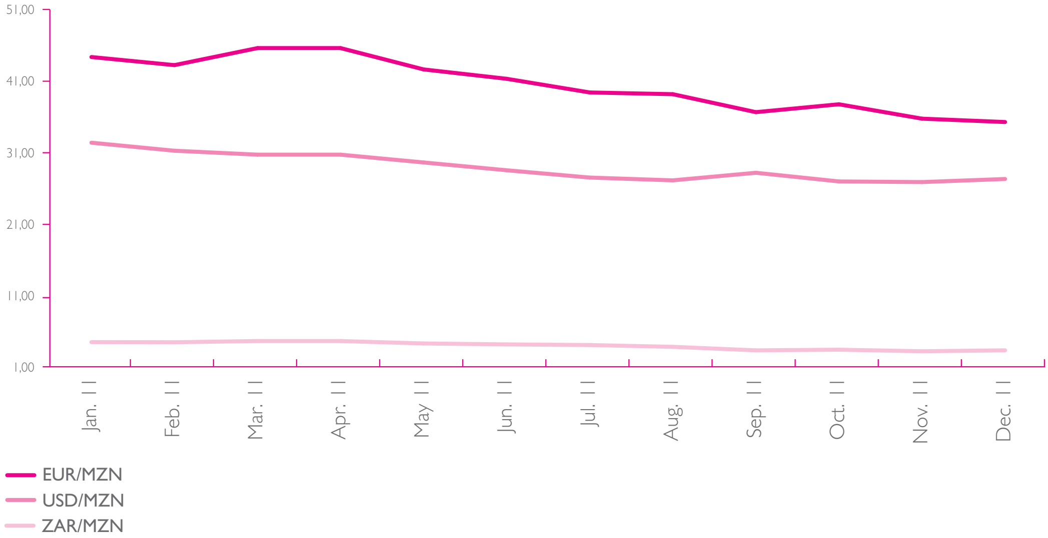
According to *Banco de Moçambique* deposits in the system were 128,811 million Meticais and loans 101,552 million Meticais, implying a transformation rate in the system of around 78.84%.

In 2011 the State issued Treasury Bonds with five years maturity amounting to 2,618,617 million Meticais. In addition, for the first time in the Mozambican financial market there was an issue of commercial paper. The entity was the public company Petromoc that issued 160 million Meticais with a one year maturity. As regards private bond issues, Millennium bim issued new bonds – BIM 2011/2012 valued at 200 million Meticais, with 12 months maturity.

In 2011 the Metical appreciated considerably against the main international currencies. During the year the Metical appreciated about 16.2% against the North American Dollar, 31.6% against the Rand and 19.1% against the Euro.

This appreciation followed the introduction of new regulations for the foreign exchange law that imposed limits on the circulation of foreign currency with the partial conversion to Meticais of Bank balances containing funds from exports and other measures to limit the circulation of foreign currencies in the economy.

EVOLUTION OF THE MAIN FOREIGN CURRENCIES/MZN



Source: *Banco de Moçambique.*

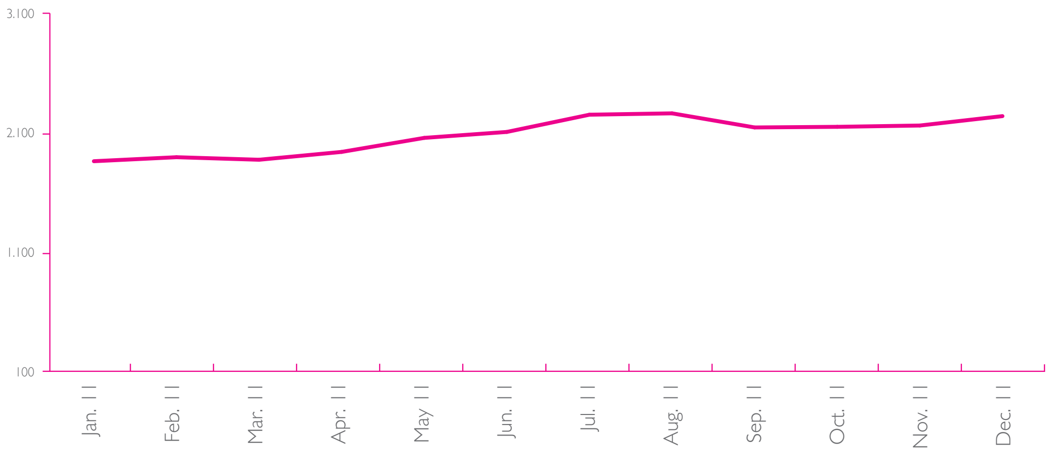
Since August 2010, *Banco de Moçambique* ensured the total sale of foreign currency to pay invoices related to fuel imports. An important measure on stabilising the Metical evolution as it reduced uncertainty among economic agents as well as the currency's volatility.

According to the Central Bank, in December 2011 the preliminary balance of Net International Reserves was roughly 2,228 million Dollars, a rise of 98 million Dollars in the month and 310 million Dollars for the year.

In 2011, *Banco de Moçambique* placed some 570 million Dollars in the foreign exchange market and acquired 183 million, transforming the long foreign exchange positions of commercial banks in some periods of the year. This International Reserves balance corresponds to almost six months imports of the non-factor goods and services projected for the year, more or less unchanged from the previous year.

EVOLUTION OF THE NET INTERNATIONAL RESERVES BALANCE

Thousand MZN



Source: *Banco de Moçambique.*

MILLENNIUM BIM ACTIVITIES

EMPLOYEES

Millennium bim's human resource management policy continues to promote the professional fulfilment and development of its Employees, one of the fundamental pillars for the construction and collective development of the institution.

Given the strategic importance of recruitment and training as essential factors for the excellence of the service provided and for the efficient and dynamic operation of the Bank, in 2011 the Nucleus for Selection, Training and Career Development was closed down. A new department was created, the Personnel, Training and Management Department, with two areas, for training and recruitment and for personnel management, responsible for recruitment, training and monitoring the careers of Employees in order to match them to current demands and challenges.

In 2011, Millennium bim hired 432 new Employees: 358 had integration training, 56% of whom were women. The vast majority of trainees (72%) were assigned to the commercial area in order to respond to the requirements of branch network expansion. The opening new branches also involved seven 24-hour training sessions in branch leadership and management for 136 Employees in order to harmonise procedures and share best practices.

In order to improve the quality of services provided to the mass market Customer there was a behavioural training programme, *Mais Millennium*, for 157 Employees in 21 branches.

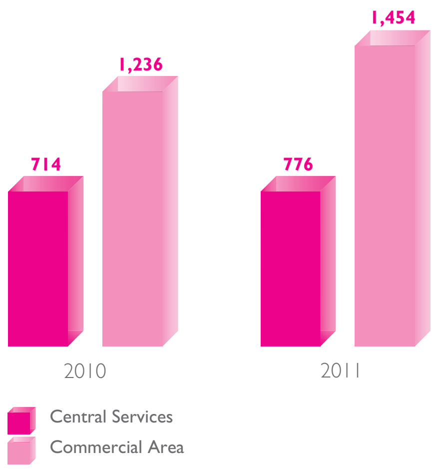
In addition to these initiatives a team of instructors was trained to implement the new application (*MilleTeller*) to be used in the branches cash posts. This team ensured the successful migration of the IT application, training all tellers and cashiers in the branch network.

In addition to the continuous training of Employees the introduction of the new work environment – Windows 7 – required training for the IT areas, through courses and internships at Millennium bcp, including in particular training in Windows 7 Enterprise Desktop Support Technician and Microsoft System Center Configuration Manager 2007.

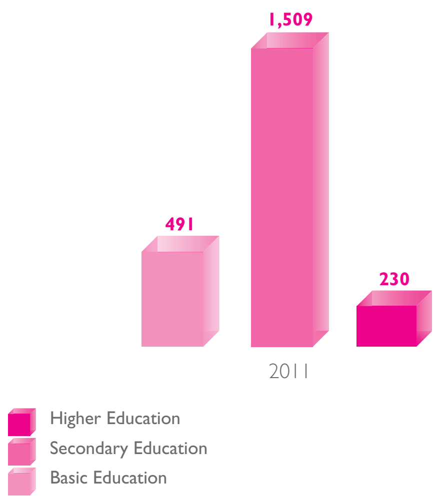
As regards Millennium bim's health and social responsibility for its Employees and their families it continues to give special attention to training Employees on topics related to HIV/AIDS. In 2011 this training involved 42 Employees.

NUMBER OF EMPLOYEES

Area of activity



EDUCATION LEVEL OF EMPLOYEES



MILLENNIUM BIM NETWORK IN MOZAMBIQUE

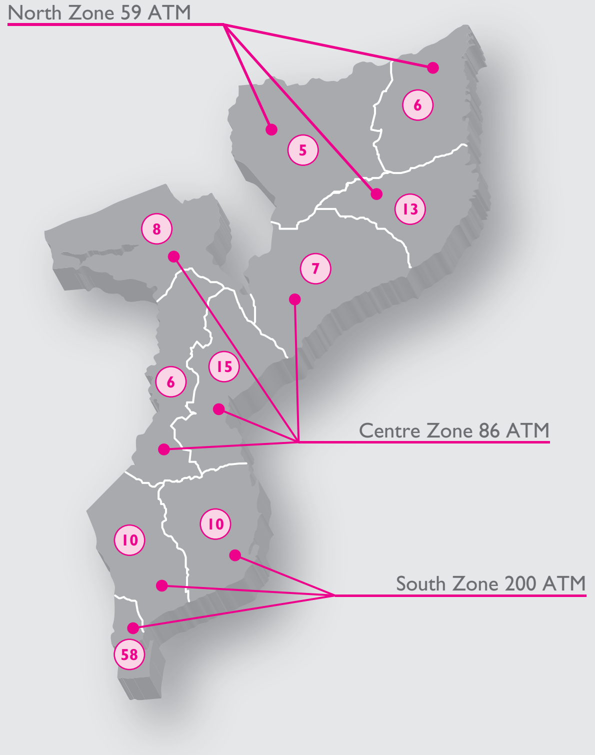
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

	'11	'10	'09	VAR. % '11/'10
North Zone	24	20	20	20%
Centre Zone	36	32	31	13%
South Zone	78	74	66	5%
	138	**126**	**117**	**10%**

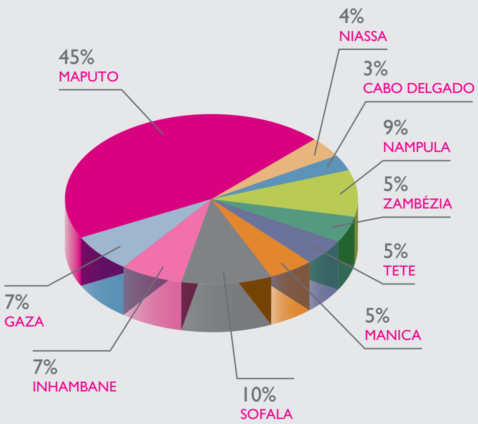
138 MILLENNIUM BIM BRANCHES

PRESENCE IN THE PROVINCES



1,024 THOUSAND CUSTOMERS

DISTRIBUTION BY PROVINCE



REMOTE CHANNELS AND SELF-BANKING

NUMBER OF CONTRACTS

Coverage	Internet	Call center	Mobile banking	POS
North Zone	4,415	17,380	54,858	172
Centre Zone	9,521	48,833	96,159	396
South Zone	40,295	96,414	329,975	2,457
	54,231	**162,627**	**480,992**	**3,025**

ANALYSIS OF BUSINESS AREAS

ACTIVITIES OF BUSINESS SEGMENTS

Taking effective advantage of business opportunities, continuing the branch and ATM expansion programme, segmentation of the network and expansion of the Customer base founded on innovation and the constant search to improve efficiency, were the main strategic focal points in 2011, a year characterised by more intense competition and less liquidity in the Mozambican financial system.

As a result of good management and knowledge of the market, Millennium bim strengthened its dominant position in the Mass-market segment and in the Corporate and Affluent segments (Companies and Individuals). The latter have received special attention and gained more dynamism and competitiveness. It should be noted that in the segmentation field, the Department of Institutional Customers was created to provide more appropriate monitoring of the State Customer, providing specific products and services to meet its needs.

Pursuing its growth strategy the Bank increased its 126 branches to 138, complemented by more outreach by alternative electronic banking channels. Millennium bim has also made a strong contribution to expanding banking among the Mozambican population. It is the only commercial bank in 14 districts and is present in 51 districts in the country.

The Bank continued its tradition of leadership in innovation, not only with regard to products and services but also in the introduction of technologies and operating systems with a positive impact on operational and procedural efficiency and thus improving Customer satisfaction.

The introduction of *MilleTeller*, a cash operation management application, in the branches has eliminated the Customers need to fill out deposit slips and release notes, improving service quality and reducing operating risk.

The mobile phone application **Millennium SMS** has been developed to strengthen the relationship between the Bank and its Customers, providing access to the Bank at any time a day, with features and images similar to those of an ATM, and we can now say that Customers always have the Bank in their pockets.

Ever attentive to the evolution of the market and the needs of companies and Individual Entrepreneurs, Millennium bim has also developed **Netshop**, a service that enables Customers to sell their products and services online and receive the respective payment as if there were a virtual POS.

Complementing the supply to the company segments, the Bank also launched a new **Internet Banking** feature that enables companies to keep track and view their check payments. This service makes it possible to improve control over the movement of cheques issued and received, enabling companies to print cheques over the previous six months.

The constant emphasis on the supply of innovative products and services, as well as strengthening proximity and relations with the Customer, were factors that made a decisive contribution to Millennium bim achieving the significant milestone of 1 million Customers, more than double the number of Customers compared to the rest of the country's financial system.

For all this, the results achieved and its positive financial indicators and growth, Millennium bim was the most awarded Bank in Mozambique in 2011. The main awards granted by various national and foreign institutions include: (1) **Bank of the Year in Mozambique** awarded by *The Banker* a Financial times publication; (2) **Best Local**

Bank Africa, awarded by IC Publications as part of the *African Banker awards*; (3) **Best Bank in Mozambique** by *EmeaFinance* and (4) the *Global Finance*; (5) **Best Banking Group in Mozambique** by *World Finance*.

Millennium bim was also awarded **Best Brand in Mozambique in the banking sector**, by the multinational GFK and was also considered a **Superbrand**, by Superbrands Moçambique.

RETAIL BANKING AND COMPANIES

In 2011 the Bank continued its expansion programme, extending its network to 138 branches across the country, an obvious sign of Millennium bim's commitment to banking penetration, attracting to the formal economy people deprived of financial services.

This commitment to proximity and relations with the Customer was complemented by expansion of the stock of remote channels, focusing on their accessibility and availability. Millennium bim expanded its electronic banking equipment to 345 ATM and 3,025 POS. It also improved refurbished the equipment and added features to these alternative channels – a strategy that was combined with the launch of innovative products and services without neglecting the "loyalty/profitability" relationship.

The commercial strategy, with a strong focus on attracting funds, involved the mobilisation of commercial teams to achieve its objectives as well as support for new term deposits that together contributed significantly to the Bank's positive performance.

Conscious of the current economic environment and the need to convey some structuring concepts that improve people's lives, the ***Plano Poupança Família*** (Family Savings Plan) was launched. This is, a one-year, renewable, flexible term deposit for individual Customers with no minimum subscription, a well-conceived savings scheme for anyone who thinks about the future.

In order to commemorate the symbolic one million customers benchmark, Millennium bim launched the ***Depósito a Prazo "Milhão"***, ("Million" Term Deposit), a 180-day deposit targeting individual Customers with attractive, phased interest rates and the possibility of paying interest monthly or on maturity. Another attractive feature of the deposit is that subscribing Customers are eligible to win one million Meticais in a raffle organised by the Bank.

CORPORATE AND INVESTMENT BANKING

In 2011 the Branches network was divided into regions: South, Centre and North. Two more spaces for Corporate Customers were opened in Nampula and Nacala, making a total of four such branches. Their main objective is to monitor Customers more closely and provide a service characterised by customised attention, speed and excellence.

There was a strong campaign within this Customer segment on accessing and using alternative channels, namely, Millennium bim Internet banking and its Payment and Collection Service (PCS) that minimises the risks involved in the use of cheques.

As Corporate is a key network, it tried to strengthen its commercial teams with new members, focusing on higher education, dynamism and rapid integration into the Group's culture. Modular and behavioural training was also provided in order to build Employees' knowledge, raising their awareness of issues related to risk management in negotiations capacities, responsible management and proximity to Customers.

Throughout the year Millennium bim received various commercial missions of potential Customers referred to it by Millennium bcp. This reflected efforts to take advantage of the synergies arising from Millennium bim being part of the Millennium bcp Group. It offers Customers uniform treatment in different geographical areas. They benefit from the same service model, ensuring greater satisfaction and loyalty to the Bank.

JOSÉ MOURINHO – CHALLENGE

NETSHOP

FAMILY SAVINGS PLAN

MILLION TERM DEPOSIT

SUBSIDIARY COMPANY

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

In 2011 *Seguradora Internacional de Moçambique* (the insurance company) continued to pursue its strategy of focusing on stronger penetration in the Millennium bim Customer base by providing Life and Non-life products conceived to meet the needs of each market segment. In addition, it maintained its dynamism and regular monitoring of the development of its branches in the country's main economic development centres in order to better serve its Customers' needs. Its market presence was strengthening by the inauguration of two new branches in Tete and Matola.

In 2011, the Insurance Company's accumulated processed revenue rose to 1,346 million Meticais, up 10.5% compared to December 2010.

Of particular note in this growth was the Real business that rose by 15% due to the entry of new contracts in the Automobile, Sundry, Fire and Health products in particular. It should be mentioned that the Sundry Products that includes, among others, Machinery Malfunction, Works and Assembly recorded strong growth of 63% due in particular to increased production linked to insurance for road rehabilitation, construction of the new bridge over the River Zambezi and insurance for tugs and dredgers. The Fire Products grew strongly by 82% due to the entry of oil prospecting insurance involving a premium of more than 2.8 million Dollars.

Net collections during the period grew by 9% in a context of considerable difficulties arising from the economic and financial market environment, and the average period for covering claims was 22 days.

As regards information systems, particular attention was paid to the parametrisation process and migration of the Non-Life products to the GIS Platform, including its accounting interconnection and the respective payments collecting process that was successfully concluded during the year.

There were also workflow improvements in the management of forms and vouchers and adjustments to work processes producing efficiency and effectiveness gains in the Insurance Company's various areas.

Employee training is one of the Company's top priorities. In 2011 there was an internal training cycle in property insurance for all the traditional Impar branches. In addition, Employees were brought up to date on best international practices through training by suppliers overseas. There was also a programme of visits and insurance training to Millennium bim branches employees in the South, Centre and North, involving the insurance company and Millennium bim's Department of Marketing and Communications.

The year also saw the conclusion of the project on International Accounting Standards, which were applied from the beginning of 2011, enabling accounting movements to be compared with those in previous years.

The net income of *Seguradora Internacional de Moçambique* was 396 million Meticais, a rise of 59.5% compared to the previous year, maintaining its leadership of the insurance market in Mozambique.

BANKING SERVICES

ELECTRONIC BANKING

Ever since Millennium bim was established electronic banking has been a fundamental pillar of its commercial strategy, strengthening its leadership not only in terms of the variety of alternative channels available, but also the number of units and their features, enabling Customers to carry out financial transactions with the utmost security, comfort and reliability.

Strengthening and refurbishing the stock of ATM, increasing the number of units to 345, continues to be a distinctive factor in the market. The 25 new units mean a rise of 8% over the previous year, improving availability and the ability to provide cash. There were more than 59 million transactions, up 19% on the previous year.

Growing demand by Customers due to the convenience of this kind of electronic payment contributed to the rise in POS. Ever attentive to opportunities and the need for innovation the Bank improved its supply of electronic banking products and services not only through new models but also through IT developments that optimise management processes and efficiency in the means of payment available to Customers. Of particular note was the implementation of the new version of the electronic banking management system PCIDSS – Payment Card Industry Data Security Standard that raises internationally established security standards.

Also in 2011, new communications equipment was installed to improve the connection with the international Visa and Mastercard networks, facilitating transactions in these networks.

The improved dynamism in this alternative banking channel was reflected in more units spread throughout the country. At the end of 2011 there were 3,025 POS, 14% more than the previous year.

Millennium bim continues to be a market leader in the card field with 946,372 cards in circulation, 11.5% more than in 2010.

Another service that should be mentioned is the mobile banking channel, Millennium SMS, with substantial growth in the number of users (178 thousand new Customers), 59% more than in 2010. The volume of transactions through Millennium SMS grew by 89%, with over 6 million operations, showing Customers adherence, recognizing the multiple advantages in terms of convenience, security, availability and low cost transactions.

OPERATIONS AND INFORMATION SYSTEMS

In line with its founding strategic mix, throughout 2011 Millennium bim continued to invest in technological projects that on the one hand, increased supply for our Customers and on the other hand, improved operating efficiency and control over the workflows inherent to the Bank's processes.

To begin with, the *MilleOffice* project that was implemented throughout the year is of particular importance as it involves upgrading the workstations platform used by all Bank Employees to a more modern version of the operating system and the respective Office tools (Windows 7 and Office 2010). This enabled them to use new tools for individual productivity, while at the same time facilitating the management of this technological business support infrastructure.

In addition, 2011 was also an historical year in the Bank's technological development, with a project to replace the application supporting cashiers operations. This new system brought important improvements in the quality and control of assistance to the Customer by the cashiers, making the process more paperless while at the same time helping to reduce substantially the operating risks.

Other essential business support applications were upgraded, as in the case of the application supporting external transactions, the workflow for Customers documents scanning documents, as well as the credit workflow and various other applications of vital importance for the Bank's work.

The acquisition component of the Europay, Mastercard, Visa (EMV) project was concluded during the year. This means that all payment terminals (ATM and POS) managed by Millennium bim are now fully compatible with EMV standards for accepting and validating cards with a chip.

Throughout 2011 the Bank also continued to give priority to the security of its information systems. Of particular importance was the production of standards arising from recommendations by the "Project to Improve the Millennium bim Information Systems" implemented with support from Millennium bcp and specialist external consultants using methodologies that comply with ISO 27000/27001 standards.

RISK MANAGEMENT

In 2011 the Risk Office continued its promotion and coordination of risk management and control as well as external and internal reporting on the various types of risk incurred by Millennium bim while conducting its business. These functions are part of the Bank's strategic objectives on improving soundness and confidence, and are also an integral part of the Group's internal control framework. The Risk Office's work has made an important contribution to improving the internal control environment by improving and strengthening policies and instruments for measuring and risk control risk. This involves, for example, strengthening the promotion and coordination of activities to implement the policy on the better and larger collateralisation of loans – especially for large debtors.

RISK MANAGEMENT

As a component of the Bank's internal control system of fundamental importance for the sustainability and development of the business, the Risk Management function continued to be particularly relevant in 2011 in a context of persistent world economic-financial difficulties.

In order to protect the profitability of the business by establishing policies and specific guidelines to control the various risks to which Millennium bim is exposed, Risk Management also promotes proactively the implementation of precautionary measurements and instruments for assessing and delimiting risks.

In 2011, the Risk Management function continued to be responsible for compliance with internal provisions as well as internal and external reporting on measuring and assessing risk

HIGHLIGHTS

In general terms, the main courses of action and activities of the risk management function in 2011 were the following:

- Improving mechanisms and instruments for managing and controlling risks – credit risk, liquidity risk, interest rate and operating risk in particular – promoting and coordinating actions that apply the policy of better and larger collateralisation of loans, better assessment of the Bank's liquidity to meet its need to transform resources into credit, greater control of interest rate risk by introducing an indexed cap on the level of the Bank's equity, and better assessment of operating risk by improving the Risk Self Assessment process);

- Constant updating of manuals and internal norms on risk control, in particular documentation relating to Risk Management Norms and Principles;

- Intervention in risk management policy – in particular for the credit strategy of constant improvements in the effectiveness of credit recovery;

- Technical intervention to calibrate the Bank's Credit Rating and Scoring models and the Impairment Model used in Millennium bim, by calculating the central tendencies of the probability of default by business segment (Individuals, Individual Entrepreneurs, and Small and Medium Enterprises) for Credit Rating and Scoring models, Probabilities of Default in the Bank's loan portfolio by product (Housing, Leasing and Long Term Rent (ALD), Consumption and Others), as well as updating the coefficients of the Parametric Tree used by the Bank's Impairment Model;

- Review of criteria for signs of impairment, in order to adapt them to the current situation of the Bank's loan portfolio, and beginning implementation of an internal Early Warning Signals model;

- Development of the discounted cash flow method, in order to achieve reliable estimates of when recovery flows from loans to individually significant Customers will occur, by calculating possible financial flow deviations from the plan initially agreed with the Bank, identifying the respective expected percentage loss, and thereby improving the model for calculating loan portfolio impairment in the light of IAS 39 requirements on this subject;

- Preparation of regular reports for the Risk Control Committee and the Audit Committee according to the frequency of meetings of these Bank risk management support bodies.

RISK MANAGEMENT GOVERNANCE

Millennium bim's risk management policy continues to develop through a functional crosscutting control. The Millennium bim Executive Committee is responsible for the governance of this model, and delegates the following to the Risk Control Committee:

- Monitoring and controlling global risk levels (credit, market, liquidity and operating risks), ensuring that they are compatible with the objectives, available financial resources and strategies approved for the Bank's activities;

- Managing assets and liabilities and defining the Bank's liquidity management strategies;

- Structural management of liquidity risks, including monitoring execution of the liquidity plan;

Most members of the Executive Committee are members of this committee, the group Risk Officer, the local Risk Officer and senior managers in the Audit Department, Financial Department, Planning Department and the Economic Studies Office. The Risk Control Committee is chaired by the Chairman of the Bank's Executive Committee.

The Millennium bim Executive Committee created the Risk Office in 2006. It is governed by a vast set of risk management standards and principles that are applied across the Millennium Group.

The Risk Office is responsible for coordinating and executing risk assessment and monitoring as well as following the application of risk controls in all business areas or functional business support areas.

Also in the risk management field, the Millennium bim Board of Directors has created the audit committee that in collaboration with the Risk Control Committee ensures that there is adequate risk control, supported by the Bank's risk management systems.

MONITORING AND VALIDATING MODELS

Validation of the processes for calibrating Millennium bim's rating and credit scoring models is a crosscutting responsibility of the model control unit (in the Group Risk Office) that ensures the monitoring and validation of the rating systems of which these models are part.

The crosscutting monitoring and validation structure involves model owners, rating system owners, the Validation Committee, the Risk Committee and the Audit Department.

In 2011 there were monitoring and validation activities for credit risk models that focused on models for the main estimation components of company and retail risk classes. During this process the most significant models are Probability of Default models (PD), such as the rating model for corporate companies and the TRIAD behavioural model.

Monitoring and validation also involves following and obtaining more detailed knowledge about the quality of models, in order to build capacity for a timely response to changes in their predictive faculties, thereby enabling Millennium bim to build confidence in the use and performance of each model and the rating systems used.

In 2011 there was also a major effort to develop the model for calculating stability levels of deposits to improve the quality of information for liquidity risk management.

CREDIT RISK

This risk involves losses and uncertainty about future returns generated by the loan portfolio, due to the inability of borrowers (and their guarantors, if any), the entities that issued securities or the counterparties to contracts, to meet their obligations. It is a highly relevant and representative risk in terms of the Bank's overall risk exposure, clearly present in the day-to-day work of its commercial networks, involving the constant granting and monitoring of loans.

Controlling and mitigating this risk is done, on the one hand, through a solid structure for analysing and assessing risks, through internal rating systems appropriate to the different business segments and on the other hand, by structure units dedicated exclusively to credit recovery in cases of default.

In 2011, Millennium bim continued to carry out a variety of activities to strengthen and improve risk analysis and assessment in the various segments of the portfolio, mitigating credit risk by strengthening the collateralisation levels of operations and reducing the concentration of credit exposure.

COMPOSITION OF THE LOAN PORTFOLIO

The structure of the Millennium bim loan portfolio at the end of 2011 – in nominal and global terms (*i.e.* contemplating on-Balance Sheet and off-Balance Sheet exposure) as illustrated in the graphs below – is not very different to the portfolio in December 2010.

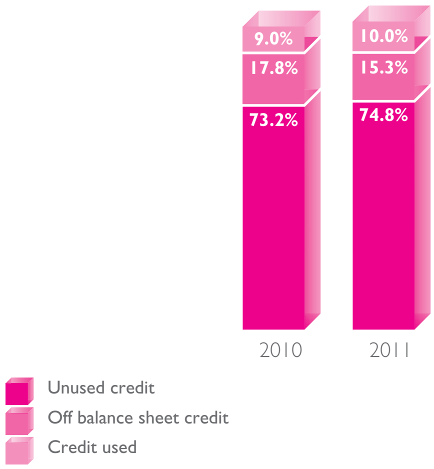
The decomposition of the credit portfolio in terms of segments of exposure, under the rules of Basel II, is given by the graph on the side.

CALCULATION OF ECONOMIC CAPITAL

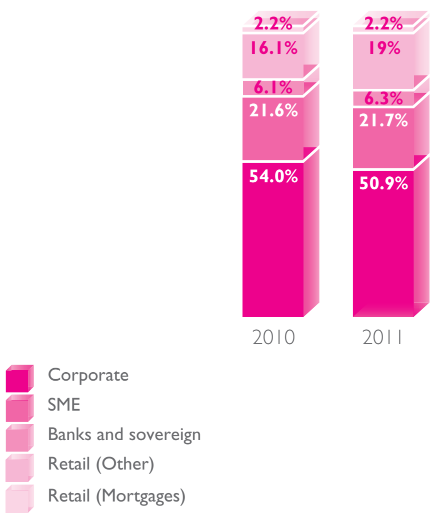
Economic capital relative to credit risk is calculated using an in-house portfolio actuarial model. It provides estimates of the probability distribution of total losses based on exposure and specific characteristics in the Millennium bim loan portfolio.

The model incorporates measures related to basic credit risk assessment variables – Probability of Default (PD), Loss Given Default (LGD) and off-balance sheet Credit Conversion Factors (CCF). It also takes into account the uncertainty associated with such measures by including the volatility of these parameters.

STRUCTURE OF THE LOAN PORTFOLIO
(comparable basis)



BREAKDOWN OF THE LOAN PORTFOLIO
(comparable basis)



In addition, it contemplates the effects of diversifying/concentrating credit risk. The contribution to total risk of each sector or of exposures is demonstrated in the combined analysis presented in the following table.

			DECEMBER 11			DECEMBER 10			VAR. (DEC. 11 – DEC.10)			
			Exposure	Impairment	Imp./Exp. %	Exposure	Impairment	Imp./Exp. %	Exposure	Impairment	Exposure %	Impairment %
TOTAL LOAN PORTFOLIO	LOAN PORTFOLIO WITH SIGNS OF IMPAIRMENT	INDIVIDUAL ANALYSIS	7,065	1,066	15.1%	6,412	1,046	16.3%	653	20	10.2%	1.9%
		PARAMETRIC ANALYSIS	1,361	1,025	75.3%	1,028	479	46.6%	333	546	32.4%	113.9%
	LOAN PORTFOLIO WITHOUT SIGNS OF IMPAIRMENT	INDIVIDUAL ANALYSIS IN THE COLLECTIVE	28,421	513	1.8%	30,440	556	1.8%	-2,019	-43	-6.6%	-7.7%
		COLLECTIVE WITHOUT INDIVIDUAL ANALYSIS	11,714	221	1.9%	12,180	241	2.0%	-466	-20	-3.8%	-8.1%
		TOTAL	48,561	2,825	5.8%	50,060	2,322	4.6%	-1,499	503	-3.0%	21.7%

In December 2011, the economic capital associated with credit risk was 21.7% higher than in December 2010. This rise is due essentially to a rise in the loan portfolio with signs of impairment (Individual and Parametric Analysis Segments) and a reduction in the volume of the loan portfolio without signs of impairment (Collective Impairment Segment). In 2011 the loan portfolio with signs of impairment was some 13.3% higher than in the previous year and losses due to the corresponding loan impairment grew by 37.1%. Consequently, the rise in economic capital associated with credit risk was due to the increase in losses in the Bank's loan portfolio and lower volume in the loan portfolio without signs of impairment, assigned to the IBNR (collective impairment) defined for general credit risks.

MARKET RISK

Market risk comprise the potential losses that can be recorded for a given portfolio, due to changes in rates (interest or foreign exchange) and/or the prices of the different financial instruments that comprise them, considering not only correlations between them but also their respective volatilities.

The assessment of interest rate risk is based on the gaps built by the residual reprising periods of valid contracts and the position of the main currencies where Bank activity is relevant (MZN and USD) reported on the 31st of December 2011 and the 31st of December 2010 as shown in 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	Over 3 years
31st of December 2011					
Assets					
Cash and deposits at *Banco de Moçambique*	2,964,035	695,907	1,256,267	603,060	-
Loans and advances to credit institutions	2,486,500	-	-	-	-
Loans and advances to Customers	22,484,814	3,914,841	755,947	941	-
Financial Assets available for sale	658,000	2,228,516	6,949,452	-	-
Total assets	**28,593,349**	**6,839,264**	**8,961,666**	**604,001**	**-**
Liabilities					
Deposits from Customers	10,936,807	7,195,062	11,810,425	5,413,300	-
Debt securities issued	1,000,000	32,500	200,000	-	-
Subordinated debt	-	-	260,000	-	-
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 risk	**16,656,541**	**16,268,243**	**12,959,484**	**8,150,185**	**-**
Accumulated sensitivity	**160,343**	**155,440**	**130,266**	**-**	**-**
31st of December 2010					
Total assets	24,808,281	10,588,276	2,203,220	82,778	-
Total liabilities	10,997,260	5,879,282	7,733,331	6,964,798	-
Interest rate risk gaps	13,811,021	4,708,993	(5,530,111)	(6,882,020)	-
Accumulated interest rate risk gap	13,811,021	18,520,015	12,989,904	6,107,884	-
Accumulated sensitivity	132,925	176,430	139,275	-	-

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	Over 3 years
31st of December 2011					
Assets					
Cash and deposits at *Banco de Moçambique*	1,878,659	-	-	-	-
Loans and advances to credit institutions	2,814,538	1,139,974	3,823	-	-
Loans and advances to Customers	3,205,150	2,411,643	457,907	54	-
Total assets	**7,898,347**	**3,551,617**	**461,730**	**54**	**-**
Liabilities					
Deposits from Customers	2,055,749	2,323,549	2,488,540	3,525,538	-
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 risk	**5,842,598**	**7,070,667**	**5,043,857**	**1,518,373**	**-**
Accumulated sensitivity	**56,918**	**67,152**	**54,907**	**-**	**-**
31st of December 2010					
Total assets	8,676,077	3,916,541	807,411	-	-
Total liabilities	3,324,744	2,895,085	2,326,958	3,661,144	-
Interest rate risk gaps	5,351,332	1,021,456	(1,519,546)	(3,661,144)	-
Accumulated interest rate risk gap	5,351,332	6,372,789	4,853,242	1,192,099	-
Accumulated sensitivity	50,929	60,083	50,436	-	-

Interest rate risk arising from operations in the banking portfolio is assessed through monthly risk sensitivity analysis for the universe of operations that make up the Millennium bim balance sheet.

As shown by the above tables reporting as of the 31st of December 2011, the interest rate sensitivity of the balance sheet to a simulated one percentage point parallel shift in the yield curves gives 130,266 thousand Meticais and 54,907 thousand Meticais for the currencies in which Millennium bim holds its most significant positions, respectively, Meticais and Dollars compared to 139,275 thousand Meticais and 50,436 Meticais in December 2010.

Exchange rate risk is assessed by measuring indicators established in the prudential standards of *Banco de Moçambique*, and is analysed using indicators such as:

- Net Open Position – obtained by the Risk Office from the Bank's IT system and reported on the last day of each month.

- Sensitivity Indicator – calculated by simulating the impact on the Bank's income of a hypothetical 1% variation in exchange valuation rates.

The income calculated on the 31st of December 2010 shows that the Bank is within tolerance limits for exchange rate risk as defined by the *Banco de Moçambique's* prudential standards, whether by currency or by all currencies taken together.

LIQUIDITY RISK

Liquidity risk reflects the possibility of Millennium bim incurring substantial losses due to deteriorating financing conditions and/or the sale of assets below their respective market values, in order to meet the Bank's financial obligations.

Liquidity risk management is centralised for all currencies. Consequently, both financing needs and eventual surplus liquidity are managed through transactions with counterparts in money markets.

Liquidity management is handled by the Financial Department that is responsible for managing access to markets and ensuring that the Liquidity Plan is implemented.

In 2011, the transformation of Bank resources into credit did not involve the use of alternative financing sources as the very favourable growth in deposits enabled the stated growth in the loan portfolio to be financed to a large extent.

Of particular note was the issue of 200 million Meticais in bonds, a classical type of debenture, with one year maturity, that made it possible to increase the stability of the resources attracted.

CONTROLLING LIQUIDITY RISK

Millennium bim's control over short term (up to three months) and liquidity risk is based on two in-house precautionary measurements – the immediate liquidity indicator and the quarterly liquidity indicator – that measure periodic requirements based on cash flow projections for periods of three days and three months respectively.

The evolution of the Bank's liquidity position is also calculated regularly by identifying all factors that explain occurred changes.

Millennium bim controls its structural liquidity profile through regular monitoring by its management structures and bodies of a set of indicators defined internally to characterise liquidity risk such as:

- Medium term liquidity gaps;
- The deposits to credit transformation ratio; and
- Liquidity stress tests, the results of which help in the preparation and assessment of the liquidity and capital contingency plan, mentioned below, and for current management decisions.

On the 31st of December 2011 the maturities of the main items in the balance sheet were distributed as follows:

GLOBAL LIQUIDITY GAP FOR THE BALANCE SHEET

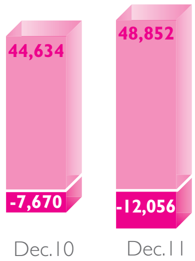
MZN' 000

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
31st of December 2011					
Assets					
Cash and deposits at *Banco de Moçambique*	3,310,524	982,366	1,770,965	65,839	-
Deposits in other credit institutions	4,221,265	1,139,974	3,823	-	-
Loans and advances to Customers(*)	4,934,031	2,853,262	1,979,261	8,715,836	17,205,012
Financial assets available for sale	658,000	2,228,516	6,575,022	-	374,430
Total assets	**13,123,820**	**7,204,119**	**10,329,071**	**8,781,675**	**17,579,442**
Liabilities					
Deposits from other credit institutions	35,256	-	-	-	-
Deposits from Customers	13,032,502	12,381,150	21,144,247	766,237	-
Debt securities issued	-	-	232,500	-	1,000,000
Subordinated liabilities	-	-	-	85,000	175,000
Total liabilities	**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**
31st of December 2010					
Total assets	13,160,669	10,102,673	7,166,956	6,607,966	15,429,794
Total liabilities	8,681,448	10,227,671	14,078,449	1,902,124	9,793,012
Liquidity gaps	4,479,221	(124,998)	(6,911,494)	4,705,842	5,636,781
Accumulated liquidity Gap	4,479,221	4,354,223	(2,557,271)	2,148,571	7,785,352

(*) Net credit.

The evolution of the commercial gap and loan to deposit ratio is shown in the following table:

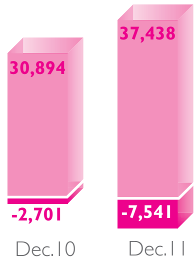
COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (GLOBAL)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	83%	75%
Credit (*)	36,964	36,796

Gap Resources

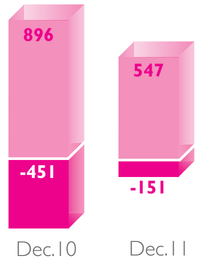
COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (MZN)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	91%	80%
Credit (*)	28,193	29,897

Gap Resources

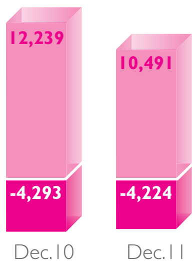
COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (EUR)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	50%	72%
Credit (*)	445	396

Gap Resources

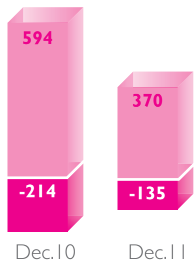
COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (USD)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	65%	60%
Credit (*)	7,946	6,267

Gap Resources

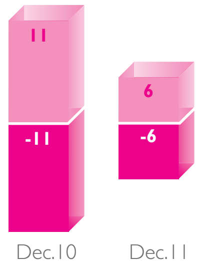
COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (ZAR)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	64%	64%
Credit (*)	380	236

Gap Resources

COMMERCIAL GAP AND LOAN TO DEPOSIT RATIO (OTHER CURRENCIES)
Million MZN



	Dec.10	Dec.11
Loan to Deposit Ratio	0%	0%
Credit (*)	0	0

Gap Resources

(*) Gross credit.

An analysis of the above tables shows that in all cases there is a surplus liquidity position, with the negative commercial gaps (global and by currency) meaning that the Bank is structurally surplus in terms of liquidity.

The Bank continued to prioritise additional efforts to attract Customers' deposits in all business segments prepare a detailed the liquidity plan in order to maximise the results that would be obtained by the Bank in a crisis situation.

Due to a prudent growth strategy for its assets supported by a prior increase in deposits, the Bank has been able to remain immune to the liquidity consequences of the international financial crisis in recent years.

CAPITAL AND LIQUIDITY CONTINGENCY PLAN

The Capital and Liquidity Contingency Plan (CLCP) sets the priorities, responsibilities and specific measures to be taken in the event of a liquidity contingency.

The objective of the CLCP is to maintain a balanced liquidity and capital structure. It requires constant monitoring of market conditions as well as action lines and triggers for timely decisions under anticipated or actual adversity scenarios.

The CLCP has a composite indicator of the main parameters identified as leading indicators of liquidity stress situations that can affect the Bank's liquidity situation. The Risk Office is responsible for quantifying this indicator and its evolution is monitored by the Bank's Risk Control Committee.

OPERATING RISK

Operating risk is defined as the losses arising from failures or the inadequacy of internal processes, persons or systems or those arising from external events.

Millennium bim has increasingly adopted principles and practices that ensure the efficient management of operating risk, by defining and documenting these principles and implementing the respective control mechanisms e.g. segregation of functions, lines of responsibility and the respective authorisation powers, risk tolerance and exposure limits, codes of ethics and conduct, control of physical and logical access, reconciliation activities; exception reports, insurance contracting, contingency planning and in-house training on processes, products and systems.

Subject to the accountability and involvement of the entire organisation, the management of operating risk is based on a process structure and has a broader perception of risk due to its end-to-end vision of activities along the value chain of each process. Process Owners appointed by the Millennium bim Executive Committee have been made responsible for managing processes and their mission in managing operating risk is as follows:

- Defining operating losses in the context of their processes;
- Self-assessment of risks to identify the actual and potential risks in each process;
- Taking appropriate action to mitigate and/or eliminate exposure to risk, helping to strengthen the internal control environment; and
- Monitoring key risk indicators.

Each risk is classified according to its position in a tolerance matrix that combines the expected severity and frequency of the various risk incidents on processes. There are three different scenarios: inherent risk level, residual risk level and objective risk level. This classification makes it possible to determine how the control environment influences a reduction in exposure (inherent risk), to assess the risk exposure of various processes, taking into account the influence of existing controls (residual risk) and to identify the impact of opportunities for improvement by reducing the most significant exposures (objective risk).

Risk management activities in 2011 resulted in the following:

- Strengthening the database of events by identifying new cases of operating losses;
- Implementation and conclusion of the second annual risk self-assessment exercise;

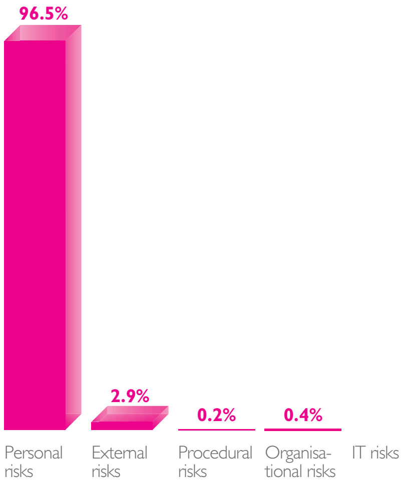
- Preparation of activities on the identification of the risk indicators for a set of business and processes;
- More effective use of the information provided by risk management instruments to identify improvements in processes.

OPERATING LOSSES

The main objective of recording operating losses is to build awareness of this risk and provide relevant information that Process Owners can incorporate into their management processes.

The graph shows the accumulated distribution of Millennium bim's operating losses in 2011, by cause.

DISTRIBUTION OF LOSS EVENTS BY CAUSE



RISK SELF-ASSESSMENT

Risk self assessment is an annual exercise to identify actual and potential risks in each process and promote the reduction or elimination of the most significant exposures.

The classification of each risk within each process is obtained from its position on a tolerance matrix with three different scenarios that permits:

- Assessment of the exposure of processes to risks, taking into account the influence of existing controls (residual risk);
- Identification of the influence of the control environment on reducing exposure levels, taking into account the risk levels that would exist without these controls (inherent risk); and
- Identification of opportunities to improve the assessed risks with the most significant exposures (objective risk).

The most significant exposures are mitigated by corrective measures identified by the risk self-assessment exercise.

The annual risk self-assessment exercises produced severity profiles for the 20 different risk sub-types considered in operating risk management, combining the expected severity of losses should the risk occur and the expected frequency of these scenarios for the set of processes considered.

Should there be operating loss events for the process, this information is used for self-assessment results by Process Owners and the respective Process Managers.

RISK INDICATORS

The Key Risk Indicators (KRI) are precautionary measurements that alert to possible changes in the risk profile or the effectiveness of controls and make it possible to identify the need for corrective measures that help prevent potential risks.

This management instrument started to be promoted in December 2011. Nine business and business support processes have been selected for the identification and monitoring of KRI.

FINANCIAL ANALYSIS

SUMMARY

In accordance with Notice 04/GBM/2007 and complementary provisions issued by *Banco de Moçambique*, BIM – *Banco Internacional de Moçambique, S.A.* presents its individual and consolidated accounts for the financial years 2010 and 2011 in accordance with International Financial Reporting Standards (IFRS).

In 2011 the financial system faced a climate of international financial instability with tensions in sovereign debt markets in some Euro Zone countries, encouraging a return to risk aversion that impacted on the deteriorating financing conditions in these economies and hampered access by financial institutions to international debt markets.

In a difficult context for banking in developed economies, where the effects of the world crisis flow into emerging markets, in particular liquidity shortages and falling grants, Millennium bim actively managed its balance sheet in order to ensure compatibility between its lending policy and the more rigorous attraction of resources from its Customer base, while maintaining rigorous control over the commercial gap and adjusting its business model in order to capitalise on the impact of stronger Customer relations on efficiency and profitability.

The financial results and ratios achieved demonstrate that the Bank's strategy was correct: prudent criteria in managing liquidity and promoting the attraction and retention of Customers' resources, combined with expansion of the retail network, consolidation of the business segmentation model and an emphasis on improving the quality of its banking services.

On the 31st of December 2011 total assets were 60,889 million Meticais compared to 54,326 million Meticais on the 31st of December 2010 supported by a rise in loans and advances to credit institutions and a rise in financial assets available for sale that correspond essentially to securities issued by the Mozambican State, namely, Treasury Bills.

On the 31st of December 2011 loans and advances to Customers before loan impairment totalled 36,796 million Meticais compared to 36,964 million de Meticais on the 31st of December 2010, influenced by loans to companies, despite more loans to individuals with a rise in consumption credit.

Total Customer resources rose to 48,852 million Meticais on the 31st of December 2011, up 9.5% compared to 44,634 million Meticais on the 31st of December 2010.

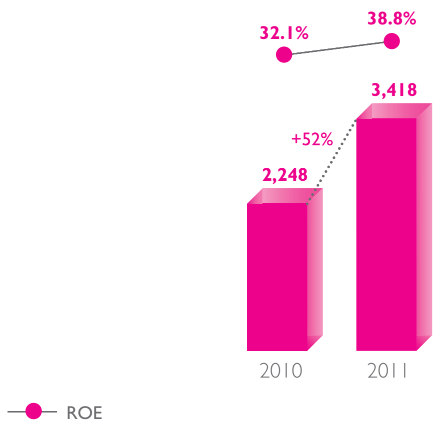
Net income was 3,417.5 million Meticais in 2011, compared to 2,247.8 million Meticais in 2010.This rise in net income benefited from a rise in net operating revenue, due essentially to higher net interest income and net commissions attenuated by rising operating costs due to the ongoing branch expansion plan and provisions for loan impairment (net of recoveries), that accompanied the higher default level in the loan portfolio.

The aggregate value of equity is 6,777 million Meticais excluding income for the year. Combined with growth in assets weighted according to their respective risk level this produced a solvency ratio of 17.9%.

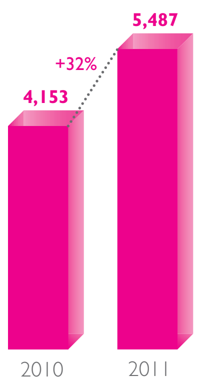
Indicators on returns reflect the good results performance, with returns on equity (ROE) of 38.8% and average returns on assets (ROA) of 6.0%.

ANALYSIS OF PROFITABILITY

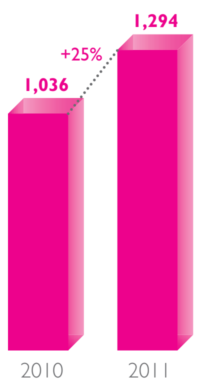
NET INCOME
Million MZN



NET INTEREST INCOME
Million MZN



NET COMMISSIONS
Million MZN



NET INCOME

In 2011 the net income of Millennium bim totalled 3,417.5 million Meticais compared to 2,247.8 million Meticais in 2010, a rise of 52.0%.

The rise in net income between 2010 and 2011 was due to higher net operating revenue, supported by the performance of net interest income and net commissions, partially offset by higher provisions for loan impairment (net of recoveries) and by operating costs due to the ongoing expansion plan.

NET OPERATING REVENUE

Net operating revenue was 7,873.4 million Meticais, 20.0% higher than the previous year.

NET INTEREST INCOME

At 5,487.3 million Meticais, net interest income was 32.1% higher than in 2010. This positive performance was due to a number of pricing changes to reflect appropriately the increased risk cost of operations contracted with Customers and deteriorating market financing conditions. In addition, the main interest rate used to index credit operations with Customers was raised at the beginning of the year.

The evolution of net interest income was also due to a persistent policy of carefully selecting the operations to be financed and the pricing review, reflecting priority for attracting and retaining Customers' resources by strengthening an attractive offer in order to maintain the transformation rate at comfortable levels.

OTHER NET INCOME

Other net income, which includes dividends from equity instruments, net commissions, net gains from trading activity and other net operating income reached 2,386.1 million Meticais on the 31st of December 2011, compared to 2,406.7 million Meticais for the same period in 2010.

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments correspond to dividends associated with shares in *Seguradora Internacional de Moçambique, S.A.*

NET COMMISSIONS

Net commissions were 1,294.3 million Meticais, 24.9%, higher than the 1,035.9 million Meticais in the same period in 2010. The rise in commissions reflected favourable developments in commissions related more directly to the banking business *i.e.* card, credit and guarantee business.

The maintenance of cross-selling levels, using the network in bancassurance operations, produced a rise of about 1%.

NET GAINS FROM TRADING ACTIVITY

On the 31st of December 2011 net gains from trading activity were 823.3 million Meticais compared to 1,170.2 million Meticais for the same period in 2010. The fall reflected a less volatile foreign exchange market *i.e.* Metical/American dollar parity that enabled economic agents to manage their expectations about the evolution of the currency more rationally.

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, totalled 155.1 million Meticais on the 31st of December 2011, compared to 154.6 million Meticais for the same period in 2010. It was influenced essentially by net income from the provision of various banking services.

OTHER NET INCOME

Million MZN

	'11	'10	VAR. %
Dividends from equity instruments	113.8	45.6	149.6%
Net Commissions			
Cards	612.9	442.5	38.5%
Credit and guarantees	328.4	238.2	37.9%
Foreign operations	124.3	151.9	-18.2%
Other banking services	228.8	203.3	12.6%
Total net commissions	**1,294.4**	**1,035.9**	**25.0%**
Net gains from trading activity	823.3	1,170.2	-29.6%
Other net operating income	154.6	155.1	-0.4%
Total other net income	**2,386.1**	**2,406.7**	**-0.9%**
Other income/Net operating revenue	30%	37%	

OPERATING COSTS

Operating costs, which include staff costs, other administrative expenses and depreciation, were 3,101.6 million Meticais in 2011, up 5.7% compared to 2,933.9 million in 2010.

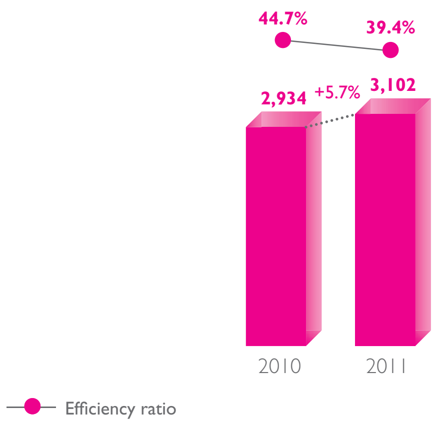
Million MZN

	'11	'10	VAR. %
Staff	1,381	1,351	2.2%
Other administrative expenses	1,456	1,344	8.3%
Depreciation	265	239	11.1%
	3,102	**2,934**	**5.7%**

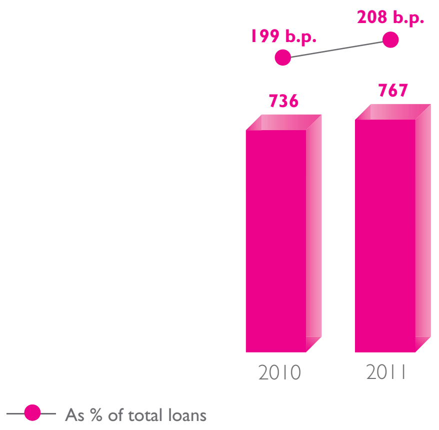
The higher operating costs were influenced by the Bank's organisational growth strategy, involving a branch and ATM expansion programme, with the number of branches rising from 126 in December 2010 to 138 at the end of 2011.

The 2.2% rise in staff costs is due to the recruitment of more staff under the ongoing expansion plan. The number of Employees rose from 1,950 to 2,230 to meet the needs of the expanded branch network and for the central services as well as salary adjustments during the period due to a more competitive labour market in the sector. The impact of the salary update was attenuated by the appreciation of the Metical against the Dollar and the Euro.

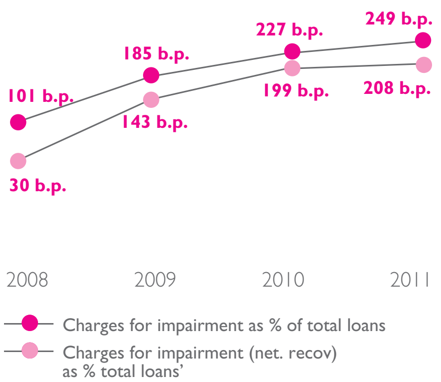
OPERATING COSTS
Million MZN



IMPAIRMENT
Million MZN



PROVISIONS EFFORT
Million MZN



Other administrative expenses rose by 8.3% influenced by the expansion of the branch network and the complete refurbishment of other branches. It reflects, in particular, higher energy and fuel costs, house rents, security and the transport of cash associated with the above-mentioned expansion of distribution networks and the higher cost of products and services in the market. The increase was attenuated by various initiatives to improve operating efficiency.

Amortisation during the year was 264.9 million Meticais in 2011, a rise of 11.1% compared to 2010. This was influenced by higher amortisation following investments to support the expansion of activities.

The efficiency ratio (cost to income) was 39.4% in 2011, a rise of 5.3 percentage points compared to the 44.7% achieved in 2010. This reflects efficiency improvements following initiatives to control operating costs and in particular a rise in net operating revenue (+20.0%) associated with business growth.

LOAN IMPAIRMENT AND OTHER IMPAIRMENTS AND PROVISIONS

Loan impairment (net of recovered written off loans) was 766.7 million Meticais in 2011, compared to 736.3 million Meticais in 2010. This reflects higher provisions for loan impairment that accompanied the expansion of commercial activity and a rise in overdue loans. Provisions were strengthened in order to maintain a prudent provisioning policy and ensure coverage of the loan portfolio with signs of healthy impairment.

The risk cost, assessed as the provision for loan impairment (net of recovered written off loans) as a proportion of the loan portfolio, was 2008 base points in 2011, 9 base points higher than the 199 points in 2010.

ANALYSIS OF ASSET STRUCTURE

Total assets were 60,889 million Meticais on the 31st of December 2011, compared to 54,326 million Meticais in 2010, a rise of 12.1%, supported by a rise in financial assets available for sale that in 2011 were more than double the figure for the previous year.

The rise in total assets was also influenced by 16.8% growth in deposits and loans and advances to credit institutions and a 10.4% rise in tangible and intangible assets, reflecting investments in branch and ATM expansion and also the start of work on the construction of the Bank's new head office.

TOTAL ASSETS

Million MZN

	'11	'10	VAR. %
Cash and deposits in Credit Institutions	13,952	11,945	16.8%
Loans and advances to Customers	34,192	34,982	-2.3%
Financial assets available for sale	9,296	4,547	104.4%
Investments in subsidiary companies	356	356	0.0%
Tangible and intangible assets	2,456	2,225	10.4%
Other	637	270	136.1%
	60,889	**54,326**	**12.1%**

LOANS AND ADVANCES TO CUSTOMERS (GROSS)

In a difficult environment for financial intermediation, as already mentioned Millennium bim adapted its loan policy to its objective of rigorous control over the evolution of the commercial gap. It reformulated its supply of finance, adjusting the price to the cost of the associated funding, mitigating risk by strengthening collateral and promoting the identification of new business opportunities.

On the 31st of December 2011 loans and advances to Customers (gross) on a comparable basis, were 36,795.5 million Meticais, slightly lower than the 36,964,3 million Meticais on the 31st of December 2010. The behaviour of loans and advances to Customers was influenced in particular by loans to companies totalling 25,267 million Meticais on the 31st of December 2011 (-4,8% compared to 2010), as loans and advances to individuals rose by 10.5% due to a rise in loans for consumption.

This reflects on the one hand, the careful assessment and selection of credit risk exposure and on the other hand, a liquidity risk management policy appropriate to current market conditions. During the period the Bank reduced its loan to deposit ratio to less than 80% (credit/resources), levels compatible with best international practices.

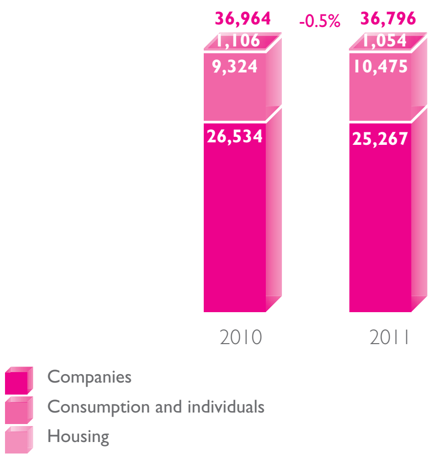
Between the 31st of December 2010 and the 31st of December 2011 diversification in the structure of the loan portfolio remained the same. Loans and advances to companies were the dominant component of the loans to Customers portfolio, accounting for 69% of the loan portfolio, while loans to individuals were 31% of total loans.

CREDIT QUALITY

On the 31st of December 2011 the quality of the loan portfolio, assessed by indicators on default, *i.e.* by overdue loans as a proportion of total loans, was 1.7% (1.1% on the 31st of December 2010). Despite efforts to control risk in order to strengthen prevention and boost the recovery of loans, default increased in 2011. This change reflects the effects of deteriorating economic conditions in the market due to higher interest rates in the first semester and also less liquidity in the system.

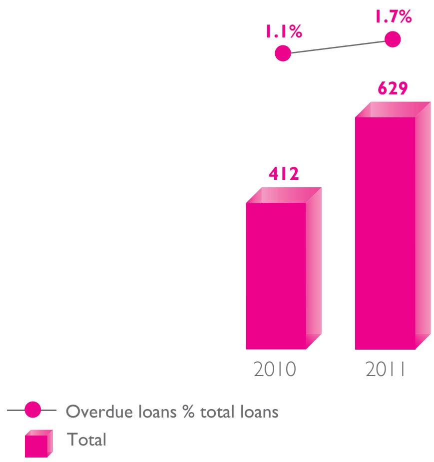
LOANS AND ADVANCES TO CUSTOMERS (GROSS)

Million MZN



CREDIT QUALITY

Million MZN



The ratio of overdue credit covered by provisions for impairment was 414.0% on the 31st of December 2011, compared to 481.0% on the same date in 2010 due to prudent risk assessment.

CUSTOMERS' RESOURCES

In 2011 increasing Customers' resources continued to be one of Millennium bim's priority objectives. To this end it emphasised innovation and excellence in Customer service as distinctive and driving elements in the commercial capacity of distribution networks.

Commercial policy thus focused on strengthening the supply of solutions and products appropriate to Customers' financial saving and investment needs, taking into account liquidity requirements and risk profiles.

On the 31st of December 2011 Customers' resources on a comparable basis were 48,852 million Meticais, 9.5% higher than the 44,634 million Meticais on the same date in 2010.

Despite growing market competitiveness and liquidity constraints, the rise in deposits from Customers reflected the focus on attracting medium and long-term balance-sheet Customer funds in order to control the commercial gap, by providing products with attractive returns and adapted to Customers' savings levels.

EQUITY
Million MZN

CAPITAL

Capital ratios reported on the 31st of December 2011 were calculated according to Banco de Moçambique regulations. Total equity result from the sum of base equity (Tier I) and complementary equity (Tier II) minus the relevant component in aggregate Deductions.

On the 31st of December 2011 the solvency ratio was 17.9%, with Tier I at 17.6%, considerably above the minimum 8% limit recommended by *Banco de Moçambique*.

PROPOSAL ON THE APPLICATION OF PROFITS

In accordance with legal provisions and Mozambican law on the establishment of reserves, Law 15/99 on credit institutions, it is proposed that profits amounting to 3,417,523,987.81 Meticais be applied as follows:

		Meticais
Legal reserve	15.00%	512,628,598.17
Free reserve	49.61%	1,695,552,359.77
Reserve for dividend stabilisation	2.50%	85,438,099.70
Distribution to Shareholders	32.89%	1,123,904,930.17

SOCIAL RESPONSIBILITY

Conscious that its actions are a determining factor in raising social awareness, the Bank continued its policy of regular support for social intervention institutions through constant initiatives to encourage the well-being of the communities within which it is located through sponsorship and its Social Responsibility programme, *Mais Moçambique Pra Mim* (MMpM).

The Bank's work under this programme is widely recognised as having a relevant role in society and has led various other institutions to work together with the Bank in its activities.

In addition, we reaffirm our commitment to implementing the principles of the United Nations Global Covenant on human rights, labour and the environment and to supporting implementation of the objectives of FEMA – *Fórum Empresarial para o Meio Ambiente*.

The Bank carried out a variety of activities, the most important being the following:

6th MILLENNIUM BIM MINI BASKETBALL TOURNAMENT

The Bank organised its 6th consecutive Millennium bim Basketball Tournament in partnership with *Clube Ferroviário de Moçambique* and the Maputo City Basketball Association, in collaboration with schools, clubs and neighbourhoods. This year over 1,500 children aged 8-12 participated.

The aim of this sporting event is to revitalise children's basketball and for the first time Maputo, Beira, Nampula, Quelimane and Tete were joined by the town of Xai-Xai.

INTERNATIONAL CHILDREN'S DAY

Millennium bim undertook various activities to mark International Children's Day. Responding to the needs of the surrounding community, Millennium bim offered a commemorative snack to children in the Tete Association for the Professional Art of Orphans in Mozambique, computers for the Sisters of Servas de Santa Maria orphanage in Nampula, school materials for children in the Help to Grow Association in Maputo and also offered prizes to the successful pupils who participated in activities by the Mikadjuine Complete Primary School in Maputo.

GIFT OF IT MATERIAL

Following modernisation of the Bank's infrastructure and working materials Millennium bim offered over 100 recycled computers to various social support institutions, giving communities tools that enable them to contribute to local development and more competitive learning.

ROAD SAFETY

In partnership with the Police of the Republic of Mozambique (PRM) – the Traffic Department in the General Police Command, the Road Safety Campaign launched in December 2010 covered, in 2011, 20 primary schools in Maputo province, where police officers gave lectures, trained and alerted children to the real dangers on the road. Older children received specific training so that in future they could help their younger colleagues to cross the road at the beginning and end of the school day, and the Bank offered them special vests, traffic signals, whistles and hats.

OFFICE MATERIAL OFFERED TO THE PRM

Millennium bim supportd the Mozambican Police Force (*Polícia da República de Moçambique* – PRM) and the Municipal Police by offering office and computer material to three police stations in Maputo city: the Municipal police station in Urban District 1, Police Stattion 7 and and the Police Dog Station.

MUMEMO NEIGHBOURHOOD SHELTER

In order to help improve the living conditions of children in the Mumemo shelter, a neighbourhood in Marraquene about 30 km from Maputo, Millennium bim offered computers, clothing and school material to the 300 orphans living there.

RECYCLING PROJECT – AMOR

Aware of the importance of environmental issues, Millennium bim strengthened the partnership it began in 2010 with AMOR – *Associação Moçambicana de Reciclagem* (Mozambican Recycling Association) – for the selective collection of urban waste. It works in two different ways: collecting solid waste from companies and residents and through centres that buy recyclable materials. The project has already produced changes in behaviour, as every month 70 tons of waste are collected from its ecopoints and over 700 families are recycling their waste. AMOR currently has five centres for purchasing recyclable materials (ecopoints) in Maputo city and one in Matola town.

UMA CIDADE LIMPA PRA MIM

In 2011 3,000 pupils from 20 primary and secondary schools in Maputo and Matola towns participated in the fifth round of the *Uma Cidade Limpa pra Mim* project, doing cleaning and maintenance work in various key places such as the zoo, Xiquelene square, the Eduardo Mondlane statue and Peace Square, among others. Matola municipality was chosen for the final session when pupils from Maputo and Matola concentrated on cleaning its streets.

This initiative is an important step in training young people, raising their awareness about the importance of valuing and conserving public spaces by cultivating hygiene and cleaning habits.

MILLENNIUM BIM BANKING OLIMPICS

This is a pioneering financial literacy project in Mozambique aimed at forming a new generation of financial service consumers, inculcating in young people the importance of efficient money management for their personal development and professional training.

Some 400 pupils from 10 secondary schools in the towns of Maputo and Matola participated in a written test on banking and general culture. After the 40 best pupils were identified, there was a final competition where the overall winner was Francisco Manyanga Secondary School. Millennium bim gave all participants a Handbook on Banking Procedures prepared specifically for this event.

NHANGUCO PRIMARY SCHOOL

Nhanguco primary school in the Gorongoza National Park protected area in Sofala province was built by Millennium bim in 2008. In 2011 Millennium bim gave books and school materials to the school and its 500 pupils. Once again, the objective of this initiative was to improve the children's study conditions and strengthen the importance of education development.

NETIA MISSION

Netia mission in Monapo, Nampula province, is a community work institution responsible for the education of 1,000 children, 50 of whom are boarders. Millennium bim offered the institution computers so that it could open a computer room.

RESPONSIBLE MILLENNIUM BIM

Once again Bank Employees participated in social and community activities, helping to improve the quality of life and well-being of the community. The institutions covered in 2011 were the Pilot Centre and Maguaza Centre. Bank Employees offered a variety of materials (clothing, books, toys) and helped to improve facilities, painting classrooms, rehabilitating the playground, among other activities that together with the children living there made everyone happy.

Millennium bim has been publishing its Sustainability Report since 2007, highlighting its various social responsibility activities. This is compulsory reading for all those who want more details of the Bank's activities in this area.

FINANCIAL STATEMENTS

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INCOME STATEMENT

for the years ended 31st of December 2011 and 2010

		USD' 000		MZN' 000	
	Notes	'11	'10	'11	'10
Interest and similar income	2	278,138	172,513	8,025,208	5,881,108
Interest expenses and similar charges	2	75,346	44,480	2,173,994	1,516,364
Net interest income		**202,792**	**128,033**	**5,851,214**	**4,364,744**
Dividends from equity instruments	3	63	37	1,812	1,254
Net fees and commission income	4	43,236	29,097	1,247,514	991,974
Net gains from trading activity	5	27,769	35,118	801,214	1,197,191
Other operating income	6	24,745	22,551	713,966	768,786
		95,813	**86,803**	**2,764,506**	**2,959,205**
Total operating income		**298,605**	**214,836**	**8,615,720**	**7,323,949**
Staff costs	7	50,294	39,794	1,451,163	1,356,618
Other administrative expenses	8	48,114	37,552	1,388,245	1,280,186
Depreciation	9	10,140	9,859	292,568	336,088
Total operating costs		**108,548**	**87,205**	**3,131,976**	**2,972,892**
Loans impairment	10	26,574	21,599	766,736	736,337
Other provisions	11	8,485	19,007	244,816	647,957
Income before income tax		**154,998**	**87,025**	**4,472,192**	**2,966,763**
Income tax					
Current	12	27,126	15,584	782,670	531,251
Deferred	12	138	123	3,975	4,194
		27,264	**15,707**	**786,645**	**535,445**
Income before tax		**127,734**	**71,318**	**3,685,547**	**2,431,318**
Consolidated net income for the year attributable to:					
Shareholders of the Bank		126,401	70,641	3,647,078	2,408,222
Minority interests		1,333	677	38,469	23,096
Net income for the year		**127,734**	**71,318**	**3,685,547**	**2,431,318**
Earnings per share	13	**2.81**	**4.71**	**81.05**	**160.55**

To be read together with the notes attached to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INTEGRAL INCOME STATEMENT

for the years ended 31st of December 2011 a 2010

MZN' 000

	Attributable to Shareholders of the Group	Attributable to minority interests	Total
2011			
Consolidated income	3,647,078	38,469	3,685,547
Revaluation reserves of financial assets available for sale			
Revaluation reserves of financial assets available for sale	99	11	110
Fiscal impact	(32)	(3)	(35)
Income not included in the consolidated income statement	67	8	75
Consolidated integral income	3,647,145	38,477	3,685,622
2010			
Consolidated income	2,408,222	23,096	2,431,318
Revaluation reserves of financial assets available for sale			
Revaluation reserves of financial assets available for sale	367	40	407
Fiscal impact	(118)	(13)	(131)
Income not included in the consolidated income statement	249	27	276
Consolidated integral income	2,408,471	23,123	2,431,594

To be read together with the notes attached to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED BALANCE SHEET

as at 31st of December 2011 and 2010

		USD' 000		MZN' 000	
	Notes	'11	'10	'11	'10
Assets					
Cash and deposits at *Banco de Moçambique*	14	224,449	167,012	6,129,695	5,441,249
Deposits in other credit institutions	15	89,884	8,718	2,454,731	284,022
Loans and advances to credit institutions	16	196,549	190,915	5,367,748	6,220,026
Loans and advances to Customers	17	1,252,004	1,073,741	34,192,216	34,982,478
Financial assets available for sale	18	349,838	156,086	9,554,084	5,084,310
Investments in associate companies	19	8,238	6,467	224,977	210,700
Investment properties		1,912	1,068	52,223	34,749
Other tangible assets	20	112,961	88,307	3,084,954	2,877,099
Goodwill and intangible assets	21	7,366	5,742	201,156	187,073
Current tax assets	22	-	67	-	2,184
Deferred tax assets	29	669	434	18,274	14,147
Other assets	23	29,981	14,550	818,782	474,009
Total assets		**2,273,851**	**1,713,107**	**62,098,840**	**55,812,046**
Liabilities					
Deposits from other credit institutions	24	3,449	5,978	94,179	194,758
Deposits from Customers	25	1,659,718	1,285,077	45,326,890	41,867,809
Debt securities issued	26	38,065	31,906	1,039,567	1,038,500
Provisions	27	115,032	93,335	3,141,510	3,040,850
Subordinated debt	28	-	-	-	-
Current tax liabilities	22	11,936	2,866	325,975	93,364
Deferred tax liabilities	29	668	457	18,241	14,885
Other liabilities	30	39,084	31,696	1,067,398	1,032,665
Total liabilities		**1,867,952**	**1,451,315**	**51,013,760**	**47,282,831**
Equity					
Capital	31	164,775	46,040	4,500,000	1,500,000
Legal Reserve	32	50,018	31,578	1,366,001	1,028,829
Other reserves and retained earnings	32	60,307	110,658	1,451,891	3,498,504
Net income attributable to Bank shareholders	32	126,401	70,641	3,647,078	2,408,222
Total equity attributable to the Group		**401,501**	**258,917**	**10,964,970**	**8,435,555**
Minority interests		4,398	2,875	120,110	93,660
Total equity		**405,899**	**261,792**	**11,085,080**	**8,529,215**
Total equity and liabilities		**2,273,851**	**1,713,107**	**62,098,840**	**55,812,046**

To be read together with the notes attached to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED CASH FLOWS STATEMENT

for the years ended 31st of December 2011 and 2010

MZN' 000

	'11	'10
Cash flows arising from operating activities		
Interest and commissions received	9,742,883	6,643,207
Interest and commissions paid	(2,233,440)	(1,485,261)
Payments to staff and suppliers	(2,826,413)	(2,499,580)
Recoveries in loans previously written off	147,655	103,021
Insurance premiums received	997,891	911,883
Insurance activity claims incurred	(451,696)	(387,233)
Operating income before changes in operating funds	**5,376,879**	**3,286,037**
(Increase)/decrease in operating assets		
Financial assets available for sale	(4,935,033)	4,765,487
Loans and advances to credit institutions	1,006,946	(1,350,744)
Deposits in central banks	(119,560)	(1,082,763)
Loans and advances to Customers	130,477	(7,886,309)
Other operating assets	(347,751)	(165)
Increase/(decrease) in operating liabilities		
Deposits from other credit institutions	(100,561)	(1,417,244)
Deposits from customers and other loans	3,606,341	4,942,396
Liabilities represented by securities	-	1,000,000
Other operating liabilities	189,509	374,188
Net cash flows arising from operating activities before tax on profits	**4,807,247**	**2,630,883**
Tax paid on profits	(547,876)	(541,218)
Net cash flows of operating activities	**4,259,371**	**2,089,665**
Cash flows from investment activities		
Purchase/additional shares	(14,277)	(210,700)
Dividends received	1,812	1,254
Acquisition of fixed assets	(581,948)	(1,203,614)
Proceeds from sale of fixed assets	30,945	6,825
Net cash flows arising from investment activities	**(563,468)**	**(1,406,235)**
Cash flows arising from financing activities		
Dividends paid	(1,123,905)	(484,816)
Supplementary contributions		-
Amortisation of subordinated debt	-	(280,399)
Interest paid on financing activities	-	733
Net cash flows arising from financing activities	**(1,123,905)**	**(764,482)**
Effects of changes in exchange rates on cash and equivalent	167,596	(85,692)
Increase/(decrease) in cash and equivalent	**2,739,595**	**(166,744)**
Cash and equivalent at the beginning of the year	1,987,980	2,154,724
Cash and equivalent at the end of the year	4,727,575	1,987,980
	2,739,595	**(166,744)**

To be read together with the notes attached to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED STATEMENT ON CHANGES IN EQUITY

for the years ended 31st of December 2011 and 2010

MZN' 000

	Total equity	Capital	Legal reserve	Fair value reserve	Other reserves and retained earnings	Net income for the year	Minority interests
Balance on the 31st of December 2009	**6,582,437**	**1,500,000**	**741,000**	**938**	**2,259,421**	**2,005,440**	**75,638**
Transfers to other reserves and income carried over	-	-	-	-	1,237,896	(1,237,896)	-
Increase in share capital by incorporating reserves	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	287,829	-	-	(287,829)	-
Dividends paid in 2010	(484,816)	-	-	-	-	(479,715)	(5,101)
Other movements	-	-	-	-	-	-	-
Integral income in 2010	2,431,594	-	-	249	-	2,408,222	23,123
Balance on the 31st of December 2010	**8,529,215**	**1,500,000**	**1,028,829**	**1,187**	**3,497,317**	**2,408,222**	**93,660**
Increase in share capital by incorporating reserves	-	3,000,000	-	-	(3,000,000)	-	-
Transfer to other reserves and income carried over	-	-	-	-	947,145	(947,145)	-
Transfer to legal reserve	-	-	337,172	-	-	(337,172)	-
Dividends paid in 2011	(1,136,624)	-	-	-	-	(1,123,905)	(12,719)
Other movements	6,867	-	-	-	6,175	-	692
Integral income in 2011	3,685,622	-	-	67	-	3,647,078	38,477
Balance on the 31st of December 2011	**11,085,080**	**4,500,000**	**1,366,001**	**1,254**	**1,450,637**	**3,647,078**	**120,109**

To be read together with the notes attached to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

INCOME STATEMENT OF THE BANK

for the years ended 31st of December 2011 and 2010

		USD' 000		MZN' 000	
	Notes	'11	'10	'11	'10
Interest and similar income	2	276,129	171,007	7,967,246	5,829,775
Interest expenses and similar charges	2	85,949	49,183	2,479,920	1,676,675
Net interest income		**190,180**	**121,824**	**5,487,326**	**4,153,100**
Dividends from equity instruments	3	3,945	1,339	113,827	45,635
Net fees and commission income	4	44,860	30,387	1,294,361	1,035,911
Net gains from trading activity	5	28,535	34,326	823,344	1,170,206
Other operating income	6	5,358	4,551	154,590	155,133
		82,698	**70,603**	**2,386,122**	**2,406,885**
Total operating income		**272,878**	**192,427**	**7,873,448**	**6,559,985**
Staff costs	7	47,853	39,631	1,380,714	1,351,069
Other administrative expenses	8	50,462	39,434	1,455,991	1,344,341
Depreciation	9	9,180	6,997	264,866	238,545
Total operating costs		**107,495**	**86,062**	**3,101,571**	**2,933,955**
Loan impairment	10	26,574	21,599	766,736	736,337
Other provisions	11	(1,769)	6,603	(51,047)	225,107
Income before tax		**140,578**	**78,163**	**4,056,188**	**2,664,586**
Tax					
Current	12	22,191	12,062	640,284	411,190
Deferred	12	(56)	164	(1,620)	5,586
		22,135	12,226	638,664	416,776
Net income for the year		**118,443**	**65,937**	**3,417,524**	**2,247,810**
Earnings per share	13	**2.63**	**4.40**	**75.94**	**149.85**

To be read together with the notes attached to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

INTEGRAL INCOME STATEMENT OF THE BANK

for the years ended 31st of December 2011 and 2010

MZN' 000

	'11	'10
Net income	3,417,524	2,247,810
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	-	-
Fiscal impact	-	-
Income not included in individual income statement	-	-
Individual comprehensive net income	3,417,524	2,247,810

To be read together with the notes attached to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET OF THE BANK

as at the 31st of December 2011 and 2010

		USD' 000		MZN' 000	
	Notes	'11	'10	'11	'10
Assets					
Cash and deposits at *Banco de Moçambique*	14	224,449	167,012	6,129,695	5,441,249
Deposits in other credit institutions	15	89,883	8,718	2,454,703	284,022
Loans and advances to credit institutions	16	196,549	190,915	5,367,748	6,220,025
Loans and advances to customers	17	1,252,004	1,073,741	34,192,216	34,982,478
Financial assets available for sale	18	340,391	139,569	9,296,084	4,547,173
Investments in subsidiaries	19	13,041	10,931	356,148	356,148
Other tangible assets	20	87,719	66,308	2,395,615	2,160,302
Intangible assets	21	2,204	1,988	60,181	64,760
Deferred tax assets	29	577	434	15,767	14,147
Other assets	23	22,737	7,847	620,949	255,670
Total assets		**2,229,554**	**1,667,463**	**60,889,106**	**54,325,974**
Liabilities					
Deposits by other credit institutions	24	3,449	5,978	94,179	194,758
Deposits by Customers	25	1,742,075	1,336,556	47,576,073	43,544,994
Debt securities issued	26	46,716	33,430	1,275,818	1,089,137
Provisions	27	11,376	11,794	310,668	384,249
Subordinated debt	28	9,612	8,065	262,504	262,747
Current tax liabilities	22	10,694	2,866	292,062	93,364
Other liabilities	30	34,435	28,022	940,407	912,950
Total liabilities		**1,858,357**	**1,426,711**	**50,751,711**	**46,482,199**
Equity					
Share capital	31	164,775	46,041	4,500,000	1,500,000
Legal reserve	32	50,018	31,579	1,366,001	1,028,829
Other reserves and retained earnings	32	37,961	97,195	853,870	3,067,136
Net income for the year	32	118,443	65,937	3,417,524	2,247,810
Total equity		**371,197**	**240,752**	**10,137,395**	**7,843,775**
Total equity and liabilities		**2,229,554**	**1,667,463**	**60,889,106**	**54,325,974**

To be read together with the notes attached to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOWS STATEMENT OF THE BANK

for the years ended 31st of December 2011 and 2010

MZN' 000

	'11	'10
Cash flows arising from operating activities		
Interest and commissions received	9,680,989	6,611,844
Interest and commissions paid	(2,438,969)	(1,578,160)
Payments to staff and suppliers	(2,864,305)	(2,581,263)
Recovery of loans written off	147,655	103,021
Operating income before changes in operating funds	**4,525,370**	**2,555,442**
(Increase)/decrease in operating assets		
Financial assets available for sale	(5,201,556)	5,020,723
Loans and advances to credit institutions	994,939	(1,350,744)
Deposits at central banks	(119,560)	(1,082,763)
Loans and advances to Customers	237,599	(7,886,309)
Other operating assets	(363,983)	28,168
Increase/(decrease) in operating liabilities		
Deposits from other credit institutions	(100,561)	(1,417,244)
Deposits from Customers and other loans	4,204,674	4,968,952
Liabilities represented by securities	183,750	1,000,000
Other operating liabilities	209,648	329,827
Net cash flow arising from operating activities before tax on profits	**4,570,320**	**2,166,052**
Tax on profits	(441,586)	(384,651)
Net cash flows arising from operating activities	**4,128,734**	**1,781,401**
Cash flows from investment activities		
Dividends received	113,385	45,472
Acquisition of fixed assets	(500,302)	(1,111,435)
Revenue from sale of fixed assets	4,702	3,972
Net cash flows arising from investment activities	**(382,215)**	**(1,061,991)**
Cash flows arising from financing activities		
Dividends paid	(1,123,904)	(479,716)
Supplementary payments	-	-
Amortisation of subordinated debt	-	(280,399)
Interest paid on financing activities	(42,035)	(40,349)
Net cash flow arising from financing activity	**(1,165,939)**	**(800,464)**
Effects of exchange rate changes on cash and equivalent	158,987	(85,690)
Increase/(decrease) in cash and equivalent	**2,739,567**	**(166,744)**
Cash and equivalent at the beginning of the year	1,987,980	2,154,724
Cash and equivalent at the end of the year	4,727,547	1,987,980
	2,739,567	**(166,744)**

To be read together with the notes attached to the financial statements.

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT ON CHANGES IN EQUITY OF THE BANK

for the years ended 31st of December 2011 and 2010

MZN' 000

	Total equity	Capital	Legal reserve	Other reserves and retained earnings	Income for the year
Balance on the 31st of December 2009	**6,075,681**	**1,500,000**	**741,000**	**1,915,819**	**1,918,862**
Transfers to other reserves and income carried over	-	-	-	1,151,317	(1,151,317)
Transfers to legal reserve	-	-	287,829	-	(287,829)
Dividends paid in 2010	(479,716)	-	-	-	(479,716)
Integral income	2,247,810	-	-	-	2,247,810
Balance on the 31st of December 2010	**7,843,775**	**1,500,000**	**1,028,829**	**3,067,136**	**2,247,810**
Transfers to other reserves and income carried over	-	-	-	786,734	(786,734)
Increase in share capital by incorporating reserves	-	3,000,000	-	(3,000,000)	-
Transfers to legal reserve	-	-	337,172	-	(337,172)
Dividends paid in 2011	(1,123,904)	-	-	-	(1,123,904)
Integral income	3,417,524	-	-	-	3,417,524
Balance on the 31st of December 2011	**10,137,395**	**4,500,000**	**1,366,001**	**853,870**	**3,417,524**

To be read together with the notes attached to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st of December 2011

BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st of December 2011

1. ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

BIM – *Banco Internacional de Moçambique, S.A.* ("the Bank", or "BIM"), is a private bank established in 1992 with its head office in Maputo. These financial statements reflect the results of its operations for the year ended on the 31st of December 2011.

The Bank's main objective is to undertake trading activity and provide all legally permitted commercial banking services i.e. granting loans in domestic and foreign currency, providing letters of credit and bank guarantees, foreign currency transactions and accepting deposits in national and foreign currencies.

On the 31st of December 2011, BIM – *Banco Internacional de Moçambique, S.A.* had the controlling interest in *Seguradora Internacional de Moçambique, S.A.*, holding 89.91% of its capital. The accounts of the Group (Bank and insurance company) are presented on a consolidated basis in this report.

In accordance with *Banco de Moçambique*, Notice 04/GBM/2007 of the 2nd of May and its complementary provisions, as of the 1st of January 2007 BIM has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared using the historical cost principle modified by the application of fair value to financial assets and liabilities available for sale, except when fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are recorded at amortised cost or historical cost.

The accounting policies presented in this note have been applied consistently throughout all Group entities and for all periods presented in the consolidated financial statements.

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to formulate judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. They provide the basis for judgments on the value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note t).

The financial statements of the Bank and the Group have been prepared using the metical as the currency of reference and are presented in thousands of Meticais. For purely comparative purposes in the Balance Sheet and Income Statement the Bank and the Group have converted the balances to thousands of USD, using the Banco de Moçambique's closing rate on the respective date for the corresponding period.

B) BASIS OF CONSOLIDATION

The Group's accounts have been fully consolidated in Banco Comercial Portugues. S.A. (BCP).

(i) Investments in subsidiaries

Investments in subsidiaries where the Group holds control are fully consolidated from the date the Group assumes control over their financial and operational activities up to the moment when this control ceases.

Control is assumed to exist when the Group holds more than half the voting rights. There is also control when the Group has the power, directly or indirectly, to manage the financial and operating policies of a given company to obtain benefits from its activities, even if its percentage shareholding in the capital is less than 50%.

The consolidated financial statements as at 31st of December 2011 reflect the assets, liabilities and net income of BIM – *Banco Internacional de Moçambique, S.A.* and its subsidiary company *Seguradora Internacional de Moçambique, S.A.* and are fully consolidated in accordance with INRS requirements.

(ii) Differences in consolidation and revaluation – Goodwill

Goodwill arising from the concentration of business activities that occurred up to the 1st of January 2006 has been charged against reserves.

The concentration of business activities that occurred after the 1st of January 2006 is recorded using the purchase method. The acquisition cost corresponds to the fair value determined on the date the assets were purchased and liabilities incurred or assumed, plus costs directly related to the acquisition.

Goodwill arising from the acquisition of holdings in subsidiary and associate companies is defined as the difference between the acquisition cost of the investment and the corresponding share of the fair value of the net assets acquired.

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

The value of recoverable goodwill recognised as an asset is assessed annually, regardless of any signs of impairment. Eventual impairment losses are recognised in income for the year.

If the goodwill is negative it is recorded directly in income in the year when the concentration of activities occurs.

(iii) Transactions eliminated on consolidation

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

C) LOANS AND ADVANCES TO CUSTOMERS

The item Loans and advances to Customers includes loans and advances originated by the Bank that are not intended to be sold in the short term and are recognised on the date the funds are advanced to Customers.

Derecognition of these assets in the balance sheet occurs in the following situations: (i) use of impairment losses when they correspond to 100% of loans, (ii) expiry of the Bank's contractual rights or (iii) if the Bank has transferred substantially all risks and rewards associated with these loans.

The subsequent recovery of these loans are recorded as a reduction in impairment losses in the year in which it takes place.

The item Loans and advances to Customers is initially recognised at fair value plus transaction costs and is subsequently valued at the amortised cost using the effective interest rate method. It is presented in the balance sheet deducted of impairment losses.

Impairment

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

Impairment losses are charged against results and the charge is subsequently reversed if the estimated loss is reduced in a subsequent period.

After initial recognition, a Customer's 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 arising from one or more events, and when the loss event has an impact on the estimated future cash flows of the loan or loan portfolio that can be reliably estimated.

According to IAS 39 there are two methods for calculating impairment losses: (i) individually assessed loans and (ii) collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the loan's total exposure on a case-by-case basis. For each loan considered to be individually significant the Bank assesses, on each balance sheet date, the existence of any objective evidence of impairment.

When determining individually assessed impairment losses the following factors are considered:

- The Bank's aggregate exposure to each Customer and the existence of overdue loans;
- The economic-financial viability of the Customer's business and its ability to generate sufficient cash flow to meet its future debt service obligations;
- The existence, nature and estimated value of the collateral associated with each loan;
- Significant downgrading of the Customer's rating;
- The Customer's assets available on liquidation or insolvency;
- The ranking of all creditor claims;
- The amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of each loan, with its current carrying value and the amount of any loss is charged in the income statement.

The carrying amount of impaired loans is presented in the balance sheet net of impairment losses.

In the case of loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate applicable during the period when the impairment was determined.

The present value of the expected future cash flows of a collateralised loan corresponds to the cash flows that may result from foreclosure and sale of the collateral, less costs arising from its recovery and sale.

Loans with no objective evidence of impairment are grouped in portfolios according to their similar credit risk characteristics and assessed collectively.

(ii) Collective assessment
Impairment losses on a collective basis can be calculated using two different scenarios:

- For homogeneous groups of loans that are not considered individually significant (parametric analysis); or
- In respect of losses that have been incurred but not yet recognised (IBNR) on loans subject to individually assessed impairment.

The collective impairment loss is calculated considering the following factors:

- Historical loss experience in portfolios with similar risk characteristics;
- Knowledge of the economic environment and its influence on the level of historical losses; and
- The estimated period between a loss incurring and a loss being recognised.

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

Loans that have been individually assessed and for which no objective evidence of impairment has been identified, are grouped together based on their similar credit risk characteristics to calculate collective impairment loss. This assessment enables the Bank to recognise losses that will only be identified individually as such sometime in the future.

D) FINANCIAL INSTRUMENTS

(i) Classification, initial recognition and subsequent measurement

1) Financial assets held for trading
Financial assets and liabilities acquired or issued with a view to being sold or repurchased in the short term, i.e. bonds, Treasury Bills or shares, with the specific purpose of obtaining short-term gains or that are covered by the definition of a derivative (except in the case of a derivative classified as hedging) are classified as held for trading. Dividends associated with these portfolios are recorded in gains from Trading Activity. The Bank and the Group currently have no financial instruments classified as held for trading.

2) Financial assets held until maturity
This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group intends and is able to maintain until maturity, and that have not been included in either the financial assets at fair value through income category or financial assets available for sale. These financial assets are initially recognised at fair value and are subsequently measured at amortised cost. Impairment losses are recognised in Income.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity of the assets will oblige 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. The Bank and the Group currently have no financial instruments classified as the held-to-maturity type.

3) Financial assets available for sale
Financial assets available for sale i.e. bonds, Treasury Bills or shares, are those intended to be retained by the Group and are classified as available for sale except when included in another category of financial assets. Financial assets available for sale are initially recognised at fair value, including the expense and income associated with the transaction, and are held for an indeterminate period. They can be sold to meet liquidity requirements or due to changes in interest rates, exchange rates or the price of shares.

Financial assets available for sale are subsequently recognised at fair value. Changes in fair value are charged against fair value reserves up to the moment when they are sold or when there are impairment losses. When financial assets available for sale are sold the cumulative gains or losses recognised as fair value reserves are recorded in the item Income from financial assets available for sale in the income statement.

Recognition of interest on debt instruments is based on the effective interest rate, taking into account the expected useful life of the asset. In situations where a premium or discount is associated with the assets, the premium or discount is included when calculating the effective interest rate. Dividends are recognised in income when the right to revenue is assigned.

4) Other financial liabilities
Other financial liabilities are all those not recorded in the category financial liabilities at fair value through income. This category includes money market transactions, deposits from Customers and other financial institutions, issued debt and other transactions.

(ii) Impairment of financial instruments
An assessment is made at each balance sheet date as to whether there is any objective evidence of impairment, *i.e.* circumstances where an adverse impact on estimated future cash flows of a financial asset can be reliably estimated or based on a significant prolonged decrease in the fair value, below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in income) is removed from reserves and recognised in the income statement. If, in a subsequent period, the fair value of debt instruments classified as available for sale rises, and this rise can be objectively related to an event that occurred after the impairment loss was recognised in the income statement, the impairment loss is reversed through income.

When reversed, impairment losses recognised in capital instruments classified as available for sale are charged against Reserves.

The impairment policy for Customers' loan portfolios is described in 1 c) above.

(iii) Recognition date
The Bank and the Group recognise financial assets held for trading and available for sale on the date they commit to acquiring the assets. From that date, all profits and losses arising from changes in the fair value of these assets are recognised.

Loans held until maturity and originated loans and debtors are recognised on the day the funds are disbursed to the Customer.

(iv) Principles for measuring fair value
The fair value of financial instruments is based on their market price on the date of the balance sheet, with no deduction of operating costs.

When market prices are unknown, the fair value of the instruments is estimated using discounted cash flow techniques.

In cases where discounted cash flow techniques are used, future cash flows are based on the best estimate of the Board of Directors. The discount rate used is the market rate on the date of the balance sheet for an instrument with similar terms and conditions.

Fair value is not determined when it is impracticable to do so and when the main characteristics of the underlying financial instruments relevant to its value are disclosed.

(v) Derecognition

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

E) TRANSACTIONS WITH A REPURCHASE AND RESALE AGREEMENT

The Bank buys (sells) investments through an essentially identical investment resale (repurchase) agreement on a future date at a predetermined price.

Investments acquired subject to agreements on resale at a future date are not recognised. The amounts paid are recognised in loans and advances to Customers or credit institutions. The amounts receivable are presented with the associated securities as collateral.

Investments sold through repurchase agreements continue to be recognised in the balance sheet and are revalued in accordance with the accounting policy on other assets available for sale. Revenue from the sale of investments is presented in the item Deposits from Customers – Other resources.

The difference between sale and resale conditions is recognised on an accrual basis over the period of the transaction and is recorded in the items in interest and income or equivalent costs.

F) RECOGNITION OF INTEREST

Interest income from financial asset and liability instruments measured at amortised cost is recognised in Interest Income or Expenses and Similar Charges using the effective interest rate method.

The effective interest rate is the rate that discounts estimated future cash payments or revenue for the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or liability.

G) RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

Recognition of income from services and commissions is based on the following criteria:

- Fees and commissions that are earned as services are provided are recognised in income over the period in which the service is being provided; and

- Fees and commissions that are earned on the execution of a significant act, are recognised when the service is terminated.

When income from services and commissions is an integral part of the effective interest rate of a financial instrument, it is recognised in net interest income.

H) NET GAINS FROM TRADING ACTIVITY

Profits and costs from trading activity include the gains and losses arising from foreign currency trading transactions and the conversion of monetary items from foreign currency to the local currency.

Gains and losses from financial assets and liabilities classified as for trading, as well as financial assets available for sale and the dividends associated with these portfolios, are also recorded.

I) OTHER TANGIBLE ASSETS

Other tangible assets are recorded at the acquisition cost less the respective cumulative depreciation and impairment losses.

Subsequent costs are only recognised if they would probably produce future economic benefits for the Bank and/or for the Group.

Expenditure on maintenance and repair is recognised as a cost as it is incurred in accordance with the accrual principle.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the highest of the value in use and the recoverable amount, any difference being recognised in income.

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

	Number of years
Buildings	50
Expenditure on freehold and leasehold buildings (*)	10
Equipment	4 to 10
Other fixed assets	3

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

J) INTANGIBLE ASSETS

Intangible assets acquired by the Group are recorded at their historical cost less accumulated depreciation and losses due to a reduction in the recoverable value.

Depreciation is recorded in the income account on a straight-line basis for the estimated useful life of intangible assets.

Software

The Group recognises as intangible assets the costs associated with software acquired from third parties and applies linear depreciation for an estimated useful life of three years. The Group does not capitalise internal costs arising from software development.

K) ASSETS ARISING FROM RECOVERED LOANS

Assets arising from recovered loans include buildings resulting from the resolution of loans to Customers. These assets are recorded in the item Other assets and their initial measurement is the lower of the fair value or the book value of the loan on the day the collateral is surrendered.

Fair value is based on the market value. It is determined using the expected sale price obtained by periodic'valuations by specialist external entities at the Bank's request.

The subsequent measurement of these assets is the lower of the book value and the corresponding current fair value, net of expenditure, and is not subject to amortisation.

If there are unrealised losses they are recorded as impairment losses charged against income for the year.

L) CASH AND CASH EQUIVALENT

In the cash flows statement, cash and cash equivalent comprise balances with a maturity of less than three months from the balance sheet date, including cash and deposits in other credit institutions.

Cash and cash equivalent exclude the mandatory reserves with *Banco de Moçambique*.

M) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted to the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency, which are recorded at their historical cost, are converted at the exchange rate on the reporting date. Foreign exchange differences arising from conversion are recognised in income.

Non-monetary assets and liabilities denominated in foreign currency that are assessed at their historical cost, are converted at the exchange rate on the transactions date.

N) EMPLOYEE BENEFITS

The Group has a specific benefit plan for its Employees for which it holds insurance that is managed by its subsidiary *Seguradora Internacional de Moçambique, S.A.*

Under the benefit plan the Group funds a complement to its Employees' retirement pensions that is guaranteed through a pension supplement that functions autonomously.

The actuarial calculation is based on the projected unit credit method using the actuarial and financial assumptions described in note 38 and in accordance with the parameters required by IAS 19.

Costs arising from early retirement and the corresponding actuarial gains and losses are recognised in the income statement in the year early retirement is approved and announced, in accordance with IAS 37.

Monthly premiums of 5.55% of the individual's salary are contributed by the Group and recorded as costs during that year.

The retirement pension complement will be paid to all Employees in work when men reach 60 years of age and women 55. It is an obligatory condition that the Employee must already benefit from the old age pension provided by the *Instituto Nacional de Seguranca Social* – INSS (National Institute for Social Security) unless the Executive Committee decides otherwise.

O) INCOME TAX

The Bank and its subsidiary with head office in Mozambique are subject to the fiscal system established by the *Código dos Impostos sobre o Rendimento* (Income Tax code). Profits attributed to each financial year are subject to the *Imposto sobre o Rendimento de Pessoas Colectivas* – IRPC (Corporate Income Tax).

Under the customs and fiscal incentives laid down in the *Código dos Benefícios Fiscais em Moçambique* – CBFM (Code on Fiscal Benefits in Mozambique) approved by Decree 12/93 of the 21st of July, during the period it is recovering investments effectively made the Bank enjoys a 50% reduction in tax rates on final profits for distribution among shareholders. According to the Investment Project Authorisation, this period cannot exceed 10 years from the 1st of January 2004.

Income tax on income for the year comprises current and deferred tax effects.

Income tax is recognised in the income statement, except when it relates to items with movements in equity. This means that it is recognised in equity (*i.e.* assets available for sale).

Current tax is the expected tax payable on taxable income for the year, using the rates established by law or those in force on the date of the balance sheet and any adjustments to taxes with respect to previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved or substantially approved on the balance sheet date and that is expected to be applied when the temporary differences are reversed.

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

P) SEGMENTAL REPORTING

A business segment is a distinctive component of the Group that provides an individual product or service or a set of related products or services and that is subject to risks and returns that are different to 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 current legal or constructive obligation, (ii) it is probable that this payment will be demanded, and (iii) it is possible to calculate a reliable estimate of this obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate. They are reverted through income in proportion to the payments considered unlikely.

R) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income available to Bank shareholders by the average number of ordinary shares issued.

S) INSURANCE CONTRACTS

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

A contract issued by the Group without significant transferred insurance risk, but where the financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts.

A contract issued by the Group that only transfers financial risk, without discretionary participation features, is classified as a financial instrument.

Insurance contracts and investment contracts with discretionary participating features are recognised and measured as follows:

Premiums

Gross premiums issued are recognised as income in the period to which they refer, irrespective of the moment they are paid or received, using the accrual accounting principle.

Reinsurance premiums ceded are recorded as expenses in the period to which they refer in the same way as the gross premiums issued.

Provision for unearned premiums from direct insurance and reinsurance premiums ceded

The provision for unearned premiums is based on the valuation of premiums issued before the end of the year, but where the risk period continues after that date. It is calculated using the *pro-rata temporis* method for each valid contract.

T) ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES

The IFRS establish a set of accounting treatments that require the Executive Committee (executive members of the Board of Directors) to use their judgment and make the necessary estimates when deciding which treatment is most appropriate.

The main accounting estimates and judgments used in the application of accounting principles by the Bank and its subsidiary are analysed as indicated below, in order to improve understanding of how their application affects the results reported by the Bank and Group and their disclosure.

Given that in some cases there are several alternatives to the accounting treatment, the results reported by the Bank and Group could be different if another type of treatment were to be chosen. The Executive Committee believes that the criteria adopted are appropriate and that the financial statements provide an appropriate presentation of the financial position of the Bank and the Group and their operations in all materially relevant aspects.

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

(i) Losses due to a fall in the value of recoverable debt

Assets recorded in the accounts at amortised cost are valued using the reduction of the recoverable amount as described in note 1c) of accounting policies

Specific losses due to a reduction in the recoverable amount are assessed individually and are based on the Management's best estimate of the current value of the expected cash flows. When estimating these cash flows, the Management judges the financial situation of the counterparty and the achievable net present value of any underlying guarantee.

Each asset with a reduced recoverable value is assessed on its merits and the recovery strategy and estimated recoverable cash flow are independent of the credit risk function.

Losses due to a fall in recoverable value, analysed on a collective basis, are determined using similar economic characteristics when there is objective evidence suggesting that they contain reduced recoverable value but the recoverable value items cannot yet be identified specifically.

When assessing the need to record losses due to a fall in the recoverable value of loans, the Management takes into account factors such as the quality of the loan, the size of the portfolio, concentration and economic factors.

In order to estimate the value of these losses, assumptions are made in order to define how the inherent losses are to be modelled, and to determine the required input parameters based on past experience and current economic conditions.

The precision of the estimated value of losses depends on the quality of the future cash flow estimates of the losses of a specific counterparty, the model's assumption and the parameters used to determine losses based on collective analysis.

(ii) Determining fair value

Determining the fair value of financial assets and liabilities for which there is no observable market price requires valuation techniques of the kind described in accounting policies 1d).

In the case of financial instruments that are not traded frequently, with a price that is not very transparent, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty about market factors, assumptions about price setting and other risks affecting specific instruments.

2. NET INTEREST INCOME

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Interest and similar income				
Interest on loans and advances	6,773,394	5,183,461	6,773,394	5,183,462
Interest on deposits and other investments	88,306	78,328	88,306	78,328
Interest on securities available for sale	1,163,508	619,319	1,105,546	567,985
	8,025,208	5,881,108	7,967,246	5,829,775
Interest and similar charges				
Interest on deposits and other resources	1,957,467	1,467,889	2,209,495	1,591,537
Interest on securities issued	211,061	44,596	264,959	81,259
Other charges and similar interest	5,466	3,879	5,466	3,879
	2,173,994	1,516,364	2,479,920	1,676,675
Net interest income	5,851,214	4,364,744	5,487,326	4,153,100

3. DIVIDENDS FROM EQUITY INSTRUMENTS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Dividends from investments in subsidiaries	-	-	113,827	45,635
Dividends from securities available for sale	1,812	1,254	-	-
	1,812	1,254	113,827	45,635

For the Bank, the item Dividends from equity instruments corresponds to dividends associated with its holding in *Seguradora Internacional de Moçambique, S.A.*, and for the Group dividends received from other shares held by *Seguradora Internacional de Moçambique, S.A.*

4. NET FEES AND COMMISSION INCOME

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Fees and commission income				
From guarantees	328,722	245,285	328,722	245,285
From banking services	593,700	452,871	635,545	492,631
From insurance activity	33,495	31,901	-	-
Other commissions	442,868	379,396	442,868	379,396
	1,398,785	1,109,453	1,407,135	1,117,312
Fees and commission expenses				
From guarantees	18,218	14,144	18,218	14,144
From banking services	78	128	78	128
From insurance activity	37,490	36,078	-	-
Other commissions	95,485	67,129	94,478	67,129
	151,271	117,479	112,774	81,401
Net fees and commission income	1,247,514	991,974	1,294,361	1,035,911

5. NET GAINS FROM TRADING ACTIVITY

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Gains from trading activity				
Foreign exchange operations	913,641	1,168,307	871,369	1,168,305
Other operations	13,439	112,962	-	1,901
	927,080	1,281,269	871,369	1,170,206
Losses from trading activity				
Foreign exchange operations	48,025	84,078	48,025	-
Other operations	77,841	-	-	-
	125,866	84,078	48,025	-
	801,214	1,197,191	823,344	1,170,206

6. OTHER OPERATING INCOME

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Other operating income				
Income from real estate	31,945	11,781	2,352	2,983
Income from services	55,119	28,571	55,119	28,571
Reimbursement of expenditure	120,907	123,633	120,907	124,506
Insurance premiums	997,891	911,883	-	-
Other operating income	37,209	157,338	20,637	26,411
	1,243,071	1,233,206	199,016	182,471
Other operating costs				
Taxes	14,797	9,557	13,724	8,804
Donations and membership fees	10,636	10,494	10,636	10,494
Insurance claims	451,696	387,233	-	-
Other operating costs	51,976	57,136	20,065	8,040
	529,105	464,420	44,425	27,338
	713,966	768,786	154,590	155,133

7. STAFF COSTS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Remuneration	1,371,246	1,276,795	1,265,857	1,179,468
Mandatory social responsibility	50,154	47,231	42,593	37,331
Facultative social responsibility	24,973	24,515	70,223	129,582
Other costs	4,790	8,077	2,041	4,688
	1,451,163	1,356,618	1,380,714	1,351,069

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

	Group		Bank	
	'11	'10	'11	'10
Board and Management	153	147	135	129
Specific/Technical	891	816	787	715
Other functions	1,170	1,057	1,149	1,042
	2,214	**2,020**	**2,071**	**1,886**

The total remuneration paid by the Group and the Bank to Management and Inspection Boards and other corporate and inspection bodies in the year ended 31st of December 2011, recorded in the item Remuneration, was 91,411 thousand Meticais and 97,874 thousand Meticais, respectively (2010: 63,472 thousand Meticais and 59,485 thousand Meticais).

8. OTHER ADMINISTRATIVE EXPENSES

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Water electricity and fuel	67,957	56,208	63,520	52,939
Consumables	111,656	110,458	109,040	107,141
Rent and hiring	68,442	55,835	142,187	133,193
Communications	89,368	84,634	85,479	77,819
Travel, *per diem* and representation	62,162	54,016	59,044	51,719
Advertising	60,820	83,945	55,322	79,664
Outsourcing services	59,527	58,880	35,809	32,588
Maintenance and repair	98,280	101,438	93,990	95,667
Insurance	7,196	6,738	53,733	49,070
Legal, litigation and notary services	3,608	4,475	3,583	4,463
IT and Consulting	571,085	505,927	569,229	504,124
Security and surveillance	56,007	46,879	54,152	45,201
Cleaning premises	24,663	20,093	24,663	20,093
Transporting cash	58,882	48,343	58,882	48,343
Staff training	35,495	30,716	35,495	30,716
Other suppliers and services	13,097	11,601	11,863	11,601
	1,388,245	**1,280,186**	**1,455,991**	**1,344,341**

9. DEPRECIATION

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Intangible assets				
Software	19,962	7,414	15,331	7,414
Tangible assets				
Real state	59,276	134,120	44,335	45,504
Equipment	213,297	194,554	205,167	185,627
Furniture	13,311	12,087	12,840	11,553
Machines	9,206	8,549	9,056	8,406
IT equipment	105,412	98,090	103,764	93,868
Fixtures and fittings	28,158	20,833	27,111	20,833
Vehicles	41,232	39,170	36,803	35,459
Security equipment	13,938	13,888	13,938	13,888
Other equipment	2,040	1,937	1,655	1,620
Other tangible assets	33	-	33	-
	272,606	**328,674**	**249,535**	**231,131**
	292,568	**336,088**	**264,866**	**238,545**

10. LOANS IMPAIRMENT

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Loans and advances to Customers				
Impairment for the year	914,391	839,358	914,391	839,358
Recovery of loans and interest charged off	(147,655)	(103,021)	(147,655)	(103,021)
	766,736	**736,337**	**766,736**	**736,337**

The item Loans impairment records estimated losses incurred up to the end of the year, based on an assessment of objective evidence of impairment as described in note 1c).

11. OTHER PROVISIONS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Provisions for indirect credit risk				
Charge for the year	64,162	249,649	64,162	249,649
Reversal for the year	(162,654)	(38,877)	(162,654)	(38,877)
Provisions for general banking risks				
Charge for the year	10,054	560	10,054	560
Reversal for the year	(143)	(1,000)	(143)	-
Other provisions for risk and charges				
Charge for the year	35,874	9,647	35,874	9,647
Reversal for the year	(221)	(4,832)	(221)	(4,832)
Technical insurance provisions				
Charge for the year	293,045	419,788	-	-
Reversal for the year	-	-	-	-
Provisions for other assets				
Charge for the year	7,749	13,022	4,931	8,960
Reversal for the year	(3,050)	-	(3,050)	-
	244,816	**647,957**	**(51,047)**	**225,107**

12. INCOME TAXES

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Current taxes	**782,670**	**531,251**	**640,284**	**411,190**
Deferred taxes				
Tangible assets	(2,026)	(8,147)	(7,621)	(8,147)
Impairment losses	-	4,016		4,016
Retirement pensions	6,001	9,718	6,001	9,718
Other		(1,393)		
	3,975	**4,194**	**(1,620)**	**5,586**
Total tax cost	**786,645**	**535,445**	**638,664**	**416,776**
Reconciliation of effective tax cost				
Income before tax	4,472,191	2,966,763	4,056,188	2,664,587
Current taxes	823,081	545,460	648,990	426,334
Tax adjustments:				
Impact of non-deductable expenditure	7,239	3,870	6,346	3,103
Impact of non-deductible costs	16,836	10,971	16,629	10,803
Tax paid on Treasury Bills – flat rate	12,368	1,305	-	1,305
Tax exempt or non-taxable revenue	(6,118)	(1,420)	(523)	(1,420)
Amortisation of unaccepted costs	-	(1,361)	-	(1,361)
Amortisation of deferred costs	(6,742)	(13,733)	(6,742)	(13,733)
Fiscal benefits	(63,993)	(13,841)	(24,415)	(13,841)
Tax cost	**782,670**	**531,251**	**640,284**	**411,190**

Under the customs and fiscal benefits contemplated in the Código dos Benefícios Fiscais em Moçambique – CBFM (Code on Fiscal Benefits in Mozambique) approved by Decree 12/93 of the 21st of July the Bank benefits from a 50% reduction in the tax on final profits for distribution to Shareholders during the recovery period of investments effectively carried out.

13. EARNINGS PER SHARE

MZN

	Group		Bank	
	'11	'10	'11	'10
Net income	3,647,077,876	2,408,222,067	3,417,523,842	2,247,809,860
Number of shares	45,000,000	15,000,000	45,000,000	15,000,000
Earnings per share	81.05	160.55	75.94	149.85

14. CASH AND DEPOSITS AT *BANCO DE MOÇAMBIQUE*

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Cash	2,272,844	1,703,958	2,272,844	1,703,958
Banco de Moçambique	3,856,851	3,737,291	3,856,851	3,737,291
	6,129,695	5,441,249	6,129,695	5,441,249

The balance of deposits at *Banco de Moçambique* meets the minimum legal cash reserve requirements calculated on the amount of deposits and other effective obligations.

According to *Banco de Moçambique* Notice 06/GBM/2011, the cash reserve system requires deposits at *Banco de Moçambique* equivalent to 8.5% of the average daily deposits and other obligations. In 2010 the rate was 8.75% as stipulated in Notice 02/GBM/2010.

15. DEPOSITS IN OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Deposits in credit institutions in Mozambique	74,595	28,946	74,567	28,946
Deposits in credit institutions abroad	2,380,136	255,076	2,380,136	255,076
	2,454,731	284,022	2,454,703	284,022

The item Deposits in credit institutions in Mozambique includes 32,276 thousand Meticais in amounts payable to the Bank and the Group that are essentially cheques due for collection by third parties on other credit institutions on the 31st of December 2011.

16. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Loans and advances to credit institutions in Mozambique	2,486,851	585,087	2,486,851	585,086
Loans and advances to credit institutions abroad	2,880,897	5,634,939	2,880,897	5,634,939
	5,367,748	6,220,026	5,367,748	6,220,025

17. LOANS AND ADVANCES TO CUSTOMERS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Loans and advances with tangible guarantees	11,495,941	10,725,404	11,495,941	10,725,404
Loans and advances with other guarantees	15,005,002	15,126,172	15,005,002	15,126,172
Unsecured loans	3,290,904	3,677,226	3,290,904	3,677,226
Loans and advances to the public sector	3,058,963	3,152,651	3,058,963	3,152,651
Financial leases	3,098,134	3,453,456	3,098,134	3,453,456
Factoring transactions	217,821	417,387	217,821	417,387
	36,166,765	**36,552,296**	**36,166,765**	**36,552,296**
Overdue loans – less than 90 days	85,811	63,876	85,811	63,876
Overdue loans – over 90 days	542,988	348,191	542,988	348,191
	36,795,564	**36,964,363**	**36,795,564**	**36,964,363**
Impairment for credit risk	(2,603,348)	(1,981,885)	(2,603,348)	(1,981,885)
	34,192,216	**34,982,478**	**34,192,215**	**34,982,478**

The analysis of Loans and advances to Customers by type of transaction is as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Short term				
Discounted bills	142,648	192,255	142,648	192,255
Current account loans	3,939,087	4,230,796	3,939,087	4,230,796
Overdrafts	1,380,321	2,509,814	1,380,321	2,509,814
Loans	3,951,899	2,534,856	3,951,899	2,534,856
Mortgages	9,093	-	9,093	-
Financial leases	149,361	-	149,361	-
Factoring transactions	217,821	417,387	217,821	417,387
	9,790,230	**9,885,108**	**9,790,230**	**9,885,108**
Medium and long term				
Discounted bills				
Loans	23,436,855	22,139,235	23,436,855	22,139,235
Mortgages	811,163	1,104,332	811,163	1,104,332
Financial leases	2,128,517	3,423,621	2,128,517	3,423,621
	26,376,535	**26,667,188**	**26,376,535**	**26,667,188**
Overdue loans – less than 90 days	85,811	63,876	85,811	63,876
Overdue loans – over 90 days	542,988	348,191	542,988	348,191
	628,799	**412,067**	**628,799**	**412,067**
Impairment for credit risk	(2,603,348)	(1,981,885)	(2,603,348)	(1,981,885)
	34,192,216	**34,982,478**	**34,192,216**	**34,982,478**

The analysis of Loans and advances to Customers by sector is as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Agriculture and forests	1,632,989	1,765,211	1,632,989	1,765,211
Extractive industries	33,328	24,068	33,328	24,068
Food, beverages and tobacco	1,220,572	1,526,911	1,220,572	1,526,911
Textiles	25,644	2,925	25,644	2,925
Paper, printing and publishing	40,092	47,917	40,092	47,917
Chemicals	241,240	211,968	241,240	211,968
Machinery and equipment	1,200,975	623,567	1,200,975	623,567
Electricity, water and gas	132,933	180,867	132,933	180,867
Construction	2,880,325	2,922,923	2,880,325	2,922,923
Commerce	5,258,205	5,075,193	5,258,205	5,075,193
Restaurants and hotels	985,380	1,193,792	985,380	1,193,792
Transport and communications	3,150,087	3,698,799	3,150,087	3,698,799
Services	4,519,214	4,680,161	4,519,214	4,680,161
Consumer credit	10,497,485	9,339,363	10,497,485	9,339,363
Mortgages	1,053,020	1,105,261	1,053,020	1,105,261
Mozambican State	3,149,094	3,152,825	3,149,094	3,152,825
Other activities	774,981	1,412,612	774,981	1,412,612
	36,795,564	**36,964,363**	**36,795,564**	**36,964,363**
Impairment for credit risk	(2,603,348)	(1,981,885)	(2,603,348)	(1,981,885)
	34,192,216	**34,982,478**	**34,192,216**	**34,982,478**

The Loans and advances to Customers portfolio includes restructured loans that have been formally negotiated with Customers, with the a restructure of guarantees, the extension of maturity dates and changes in interest rates. The analysis of restructured loans by sector is as follows:

MZN' 000

	'11	'10
Agriculture and forests	126,629	157,088
Extractive industries	-	-
Food, beverages and tobacco	26,745	2,012
Paper, printing and publishing	13,325	9,946
Chemicals	4,392	8,318
Machinery and equipment	17,629	7,992
Electricity, water and gas	12,343	-
Construction	17,619	18,067
Commerce	629,074	938,762
Restaurants and hotels	-	5,776
Transports and communications	8,468	1,407
Services	277,670	505,271
Consumer credit	121,067	90,985
Other activities	12,853	8,505
	1,267,816	**1,754,128**

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

MZN' 000

	'11	'10
Loans and advances with tangible guarantees	28,663	19,798
Loans and advances with other guarantees	337,398	178,134
Unsecured loans	174,878	126,008
Loans and advances to the public sector	167	174
Financial leases	85,049	70,018
Factoring transactions	2,644	17,935
	628,799	**412,067**

The analysis of overdue loans by sector is as follows:

MZN' 000

	'11	'10
Agriculture and forests	10,428	8,376
Extractive industries	14	16
Food, beverages and tobacco	896	170
Textiles	4	41
Paper, printing and publishing	708	319
Chemicals	1,402	29
Machinery and equipment	8,884	1,752
Electricity, water and gas	22	4,188
Construction	18,265	47,347
Commerce	47,581	14,457
Restaurants and hotels	2,148	2,197
Transport and communications	20,008	6,883
Services	47,527	46,929
Consumer credit	464,431	272,812
Mortgages	4,396	3,821
Other activities	2,085	2,730
	628,799	**412,067**

Impairment movements for credit risk are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	1,981,885	1,222,731	1,981,885	1,222,731
Impairment for the year	914,391	839,358	914,391	839,358
Transfers	-	5,572	-	5,572
Impairment charged off	(217,800)	(111,972)	(217,800)	(111,972)
Exchange rate differences	(75,128)	26,196	(75,128)	26,196
Balance on the 31st of December	**2,603,348**	**1,981,885**	**2,603,348**	**1,981,885**

The following table shows impairment for credit risk by category of overdue loan on the 31st of December 2011:

MZN' 000

	Categories of overdue loans			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	99,527	73,448	280,939	453,915
Impairment	54,729	67,948	240,354	363,031
Unsecured overdue loans	35,011	43,187	96,680	174,877
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 loans falling due				2,130,390
Total impairment for credit risk				**2,603,348**

The following table shows impairment for credit risk by category of overdue loans on the 31st of December 2010:

MZN' 000

	Categories of overdue loans			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	56,332	29,747	75,809	161,888
Impairment	31,390	19,185	121,146	171,721
Unsecured overdue loans	48,868	42,022	159,289	250,179
Impairment	21,937	3,022	53,109	78,068
Total overdue loans	**105,200**	**71,769**	**235,097**	**412,067**
Total impairment for overdue loans	53,328	22,207	174,255	249,789
Total impairment for loans falling due				1,732,096
Total impairment for credit risk				**1,981,885**

The analysis of impairment by sector is as follows:

MZN' 000

	'11	'10
Agriculture and forests	107,408	138,064
Extractive industries	664	2,750
Food, beverages and tobacco	26,811	49,854
Textiles	1,673	117
Paper, printing and publishing	5,661	8,949
Chemicals	7,126	4,289
Machinery and equipment	35,782	16,214
Electricity, water and gas	2,663	10,164
Construction	96,847	154,120
Commerce	405,829	389,365
Restaurants and hotels	33,592	27,182
Transport and communications	111,178	93,236
Services	465,757	228,060
Consumer credit	1,207,217	683,561
Mortgages	57,154	52,614
Other activities	37,986	123,346
	2,603,348	**1,981,885**

Impairment by type of loan is analysed as follows:

MZN' 000

	'11	'10
Loans and advances with tangible guarantees	580,033	488,951
Loans and advances with other guarantees	1,361,198	869,996
Unsecured loans	310,862	268,103
Loans and advances to the public sector	61,163	62,715
Financial leases	279,730	251,484
Factoring transactions	10,362	40,636
	2,603,348	1,981,885

Loans charged off by sector are as follows:

MZN' 000

	'11	'10
Agriculture and forests	1	1,448
Food, beverages and tobacco	14	-
Paper, printing and publishing	1	-
Chemicals	47	-
Electricity, water and gas	43	-
Construction	75,588	10,304
Commerce	3,068	1,042
Restaurants and hotels	61	-
Transport and communications	39,414	306
Services	4,893	12,613
Consumer credit	94,632	86,259
Mortgages	37	-
	217,800	111,972

Loans charged off by type of loan are as follows:

MZN' 000

	'11	'10
Loans and advances with other guarantees	47,441	25,714
Unsecured loans	170,359	86,258
	217,800	111,972

The recovery of loans and interest that were charged off in 2011 and 2010, by type of loan, is as follows:

MZN' 000

	'11	'10
Loans and advances with other guarantees	113,409	13,715
Unsecured loans	34,245	89,306
	147,655	103,021

18. FINANCIAL ASSETS AVAILABLE FOR SALE

The item financial assets available for sale is analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Bonds and other fixed income securities				
Issued by public entities	9,464,647	4,982,881	9,271,793	4,545,077
Issued by other entities	58,517	81,167	-	-
	9,523,164	5,064,048	9,271,793	4,545,077
Shares and other variable income securities	38,018	27,360	31,389	9,194
Impairment for shares and other variable income securities	(7,098)	(7,098)	(7,098)	(7,098)
	9,554,084	5,084,310	9,296,084	4,547,173

The item financial assets available for sale corresponds essentially to securities issued by the Mozambican State *i.e.* Treasury Bills and Treasury Bonds.

The analysis of financial assets by type of asset is as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Bonds and other fixed income securities				
Issued by public entities				
Available for sale	9,464,647	4,982,881	9,271,793	4,545,077
	9,464,647	4,982,881	9,271,793	4,545,077
Issued by other entities				
Available for sale				
National	30,461	45,755	-	-
Foreign	28,056	35,413	-	-
	58,517	81,167	-	-
Shares and other variable income securities				
Available for sale	38,018	27,360	31,389	9,194
Impairment for shares and other securities	(7,098)	(7,098)	(7,098)	(7,098)
	9,554,084	5,084,310	9,296,084	4,547,173

Impairment movements in the financial assets available for sale portfolio are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	7,098	7,098	7,098	7,098
Impairment for the year	-	-	-	-
Reversal for the year	-	-	-	-
Balance on the 31st of December	7,098	7,098	7,098	7,098

19. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Subsidiary:				
Seguradora Internacional de Moçambique, S.A.	-	-	356,148	356,148
	-	**-**	**356,148**	**356,148**

The investment of 356,148 thousand Meticais in the subsidiary *Seguradora Internacional de Moçambique S.A.*, corresponds to the cost of acquiring shares. On the 31st of December 2011 the equity of the subsidiary was 1,240,568 thousand.

On the 31st of December 2011 the Bank's percentage share in the subsidiary was as follows:

MZN

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

(*) In accordance with Notice 08/GBM/2007, in its reports for the *Banco de Moçambique* the Bank consolidates its accounts using the equity method.

On the 31st of December 2011, the Group's percentage participation in its associate companies was as follows:

MZN' 000

Associate	Head office	Share capital	Economic activity	Effective holding (%)		Balance sheet value		Result of equity method	
				Dec. 11	Dec. 10	Dec. 11	Dec. 10	Dec. 11	Dec. 10
Constellation, S.A.	Maputo	1,053,508	Real estate	17.98	17.98	210,700	210,700	-	-
Beira Nave	Beira	2,849,640	Shipyard	20.54	-	14,277	-	-	-

20. OTHER TANGIBLE ASSETS

Group and Bank movements in the item Other tangible assets in 2011 are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Real estate	1,312,684	1,276,896	503,439	467,650
Works in leased buildings	451,223	422,416	451,223	422,415
Equipment				
Furniture	211,791	187,569	206,357	182,842
Machines	122,284	111,400	118,934	108,177
IT equipment	934,114	923,721	920,610	874,408
Fixtures and fittings	377,086	314,505	375,898	314,505
Vehicles	287,065	267,389	259,467	241,574
Security equipment	175,279	167,379	175,280	167,379
Other tangible assets	44,338	38,886	38,067	36,062
Work in progress	1,068,859	844,080	1,068,856	844,078
	4,984,723	4,554,241	4,118,131	3,659,090
Accumulated depreciation and impairment	(1,899,769)	(1,677,142)	(1,722,516)	(1,498,788)
	3,084,954	2,877,099	2,395,615	2,160,302

The Group's movements in the item Other tangible assets in 2011 are analysed as follows:

MZN' 000

	Balance on the 1st of January	Acquisitions/ Charges	Disposals/ Charged off	Transfers	Balance on 31st Dec. 11
Cost					
Real estate	1,276,896	3,642	-	32,146	1,312,684
Works in rented buildings	422,416	2,587	(4,977)	31,197	451,223
Equipment					
Furniture	187,569	16,300	(160)	8,083	211,792
Machines	111,400	10,918	(34)	-	122,284
IT equipment	923,721	45,437	(350)	(34,695)	934,113
Fixtures and fittings	314,505	15,217	(4,528)	51,892	377,086
Vehicles	267,389	49,703	(30,027)	-	287,065
Security equipment	167,379	6,281	-	1,619	175,279
Other tangible assets	38,886	5,504	(52)	-	44,338
Work in progress	844,080	355,816	-	(131,037)	1,068,859
	4,554,241	511,405	(40,128)	(40,795)	4,984,723
Accumulated depreciation					
Real estate	(213,037)	(28,033)	-	-	(241,070)
Works in rented buildings	(169,543)	(31,243)	481	-	(200,305)
Equipment					
Furniture	(106,450)	(13,311)	34	-	(119,727)
Machines	(74,479)	(9,206)	3	-	(83,682)
IT equipment	(645,474)	(105,412)	56	19,235	(731,595)
Fixtures and fittings	(172,437)	(28,158)	219	-	(200,376)
Vehicles	(180,286)	(41,232)	29,926	-	(191,592)
Security equipment	(85,588)	(13,938)	-	-	(99,526)
Other tangible assets	(29,848)	(2,073)	25	-	(31,896)
	(1,677,142)	(272,606)	30,744	19,235	(1,899,769)

The Bank's movements during 2011 in the item Other tangible assets are analysed as follows:

MZN' 000

	Balance on the 1st of January	Acquisitions/ Charges	Disposals/ Charged off	Transfers	Balance on 31st Dec, 11
Cost					
Real estate	467,650	3,643	-	32,146	503,439
Works in rented buildings	422,415	2,588	(4,977)	31,197	451,223
Equipment					
Furniture	182,843	15,483	(50)	8,082	206,358
Machines	108,177	10,760	(3)	-	118,934
IT equipment	874,408	40,157	(56)	6,101	920,610
Fixtures and fittings	314,505	9,572	(71)	51,892	375,898
Vehicles	241,574	43,194	(25,301)	-	259,467
Security equipment	167,379	6,282	-	1,619	175,280
Other tangible assets	36,062	2,057	(52)	-	38,067
Work in progress	844,077	355,815	-	(131,037)	1,068,855
	3,659,090	**489,551**	**(30,510)**	**-**	**4,118,131**
Accumulated depreciation					
Real estate	(79,425)	(13,092)	-	-	(92,517)
Works in rented buildings	(169,543)	(31,243)	481	-	(200,305)
Equipment					
Furniture	(104,747)	(12,840)	34	-	(117,552)
Machines	(71,820)	(9,056)	3	-	(80,873)
IT equipment	(622,919)	(103,764)	55	-	(726,628)
Fixtures and fittings	(172,438)	(27,111)	9	-	(199,540)
Vehicles	(164,670)	(36,803)	25,200	-	(176,273)
Security equipment	(85,588)	(13,938)	-	-	(99,526)
Other tangible assets	(27,638)	(1,688)	25	-	(29,302)
	(1,498,788)	**(249,535)**	**25,807**	**-**	**(1,722,516)**

21. GOODWILL AND INTANGIBLE ASSETS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Intangible assets				
Software	379,009	302,089	336,693	302,089
Work in progress	6,704	30,556	6,704	30,556
	385,714	**332,645**	**343,397**	**332,645**
Accumulated depreciation	**(306,871)**	**(267,885)**	**(283,216)**	**(267,885)**
	78,843	**64,760**	**60,181**	**64,760**
Difference between consolidation and revaluation (Goodwill)				
Seguradora Internacional de Moçambique, S.A.	122,313	122,313	-	-
	201,156	**187,073**	**60,181**	**64,760**

The Group's movements in the item Other intangible assets in 2011 are analysed as follows:

MZN' 000

	Balance on the 1st of January	Acquisitions/ Charges	Disposals/ Charged off	Transfers	Balance on 31st Dec. 11
Cost					
Software	302,089	6,491	-	70,429	379,009
Work in progress	30,556	5,783	-	(29,634)	6,705
	332,645	**12,274**	**-**	**40,795**	**385,714**
Goodwill	122,313	-	-	-	122,313
	454,958	**12,274**	**-**	**40,795**	**508,027**
Accumulated depreciation					
Software	(267,885)	(19,962)	211	(19,235)	(306,871)
Net value	**187,073**	**(7,688)**	**211**	**21,560**	**201,156**

The Bank's movements in the item Other intangible assets in 2011 are analysed as follows:

MZN' 000

	Balance on the 1st of January	Acquisitions/ Charges	Disposals/ Charged off	Transfers	Balance on 31st Dec, 11
Cost					
Software	302,089	4,969		29,635	336,693
Work in progress	30,556	5,783		(29,635)	6,704
	332,645	**10,752**	**-**	**-**	**343,397**
Accumulated depreciation					
Software	(267,885)	(15,331)	-		(283,216)
Net amount	**64,760**	**(4,579)**	**-**	**-**	**60,181**

22. CURRENT TAX ASSETS AND LIABILITIES

MZN' 000

	Group '11		Group '10	
	Assets	Liabilities	Assets	Liabilities
Reimbursable – IRPC	-	-	2,184	-
Payable – IRPC	-	325,975	-	93,364
	-	**325,975**	**2,184**	**93,364**

MZN' 000

	Bank '11		Bank '10	
	Assets	Liabilities	Assets	Liabilities
Payable – IRPC	-	292,062	-	93,364
	-	**292,062**	**-**	**93,364**

23. OTHER ASSETS

On the 31st of December 2010 the item Impairment for other assets for the Group and the Bank includes 113,903 thousand Meticais (2010: 113,903 thousand Meticais) for impairment related to Investments arising from recovered loans.

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Debtors	21,278	24,835	19,174	15,434
Investments arising from recovered loans	257,700	179,017	257,700	179,016
Other income receivable	51,454	25,901	55,068	29,475
Prepayments	11,072	9,616	10,655	8,618
Income receivable from insurance activity	109,084	79,090	-	-
Sundry accounts	342,749	163,542	418,559	163,524
Assigned reinsurance provisions	186,632	150,217	-	-
	979,969	**632,218**	**761,156**	**396,067**
Impairment for other assets	(161,187)	(158,209)	(140,207)	(140,397)
	818,782	**474,009**	**620,949**	**255,670**

Movements in Impairment for other assets, for the Group and the Bank, are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on 1st January	158,209	144,301	140,397	130,552
Impairment for the year	7,749	13,022	4,931	8,960
Reversal for the year	(3,050)	-	(3,050)	-
Amounts charged off	-	-	-	-
Transfers	(383)	-	(383)	-
Exchange rate fluctuation	(1,337)	886	(1,688)	885
Balance on 31st December	**161,187**	**158,209**	**140,207**	**140,397**

24. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Deposits from other credit institutions payable on demand	66,757	20,824	66,757	20,824
Term deposits from credit institutions	27,422	173,934	27,422	173,934
	94,179	**194,758**	**94,179**	**194,758**
Term deposits from credit institutions				
Deposits from credit institutions in Mozambique	2,081	21,848	2,081	21,848
Deposits from credit institutions abroad	25,341	152,086	25,341	152,086
	27,422	**173,934**	**27,422**	**173,934**

25. DEPOSITS FROM CUSTOMERS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Current deposits	25,966,535	25,021,131	26,001,671	25,045,945
Term deposits	18,748,938	16,649,248	19,212,095	16,990,691
Other resources	611,417	197,430	2,362,307	1,508,358
	45,326,890	41,867,809	47,576,073	43,544,994

26. DEBT SECURITIES ISSUED

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Debenture loans				
BIM Bonds 2003-2013	-	-	33,852	50,637
BIM Bonds 2010-2015	1,039,567	1,038,500	1,039,567	1,038,500
BIM Bonds 2011-2012	-	-	202,399	-
	1,039,567	1,038,500	1,275,818	1,089,137

MZN' 000

Description of issue	Issue date	Reimbursement date	Interest rate %	Nominal value	Reimbursement	Balance '11
BIM Bonds 2003-2013	02-09-2003	22-09-2013	15.125% (a)	65,000	(32,500)	32,500
BIM Bonds 2010-2015	15-10-2010	15-10-2015	19.50% (b)	1,000,000	-	1,000,000
BIM Bonds 2011-2012	15-04-2011	15-04-2012	16.00% (c)	200,000	-	200,000

(a) Rate corresponding to the average rate weighted by maturity and amount of the last 6 issues of Treasury Bills (TB) with maturity dates equal to or over 28 days, calculated on the second business day prior to the date when each interest period begins, rounded to 1/16th of the higher percentage point.
(b) Rate corresponding to the *Banco de Moçambique's* Permanent Credit Facility (PCF) rate, calculated on the second business day prior to the date on which the interest period begins plus a margin of 3,5%.
(c) Nominal fixed interest rate.

27. PROVISIONS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Provisions for guarantees and other commitments	221,556	340,055	221,556	340,055
Provisions for general banking risks	15,665	6,783	15,665	6,783
Provisions for other risks and charges	73,447	37,761	73,447	37,411
Technical provisions for insurance activities	2,830,842	2,656,251	-	-
	3,141,510	3,040,850	310,669	384,249

Movements in Provisions for guarantees and other commitments are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	340,055	135,025	340,055	135,025
Charge for the year	64,162	249,649	64,162	249,649
Reversal for the year	(162,654)	(38,877)	(162,654)	(38,877)
Transfers	-	(5,572)	-	(5,572)
Exchange rate differences	(20,007)	(170)	(20,007)	(170)
Balance on the 31st of December	221,556	340,055	221,556	340,055

Movements in Provisions for general banking risks are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	6,783	11,601	6,783	10,251
Charge for the year	10,054	560	10,054	560
Reversal for the year	(143)	(1,000)	(143)	-
Transfers	-	(350)	-	-
Exchange rate differences	(1,029)	29	(1,029)	29
Amount charged off	-	(4,057)	-	(4,057)
Balance on the 31st of December	**15,665**	**6,783**	**15,665**	**6,783**

The purpose of the Provision for general banking risks is to cover potential contingencies arising from ongoing legal cases.

Movements in Provisions for other risks and charges are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	37,761	40,555	37,411	40,555
Charge for the year	35,874	9,647	35,874	9,647
Reversal for the year	(221)	(4,832)	(221)	(4,832)
Transfers	383	350	382	-
Exchange rate differences	(1)	-	-	-
Amount charged off	(350)	(7,959)		(7,959)
Balance on the 31st of December	**73,446**	**37,761**	**73,446**	**37,411**

The item Technical provisions for insurance activity includes: (i) Mathematical provisions, (ii) Provisions for participation in profits, (iii) Provisions for unearned premiums and (iv) Provision for claims. The net charge for the first three provisions, amounting to 293,045 thousand Meticais, is recorded in income in the item Other provisions (see Note 11) and the net charge for Provisions for claims, amounting to 451,696 thousand Meticais, is recorded in income in the item Other operating income (see Note 6).

28. SUBORDINATED DEBT

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Subordinated debt				
BIM Bonds 2003 – 2013	-	-	86,381	86,476
BIM Bonds 2006 – 2016	-	-	176,123	176,271
	-	**-**	**262,504**	**262,747**

The subordinated debt issued has the following characteristics:

MZN' 000

Description of issue	Date of issue	Reimbursement date	Interest rate %	Value of issue
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 weighted average weight by maturity and amount for the last six issues of Treasury Bills (TB) with maturity dates equal to or over 28 days calculated on the second business day prior to the date when each interest period begins, plus 0.5%, and rounded to the nearest 1/16 of the higherpercentage point.

29. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities on the 31st of December 2011 and 2010 were due to the following temporary differences:

MZN' 000

	Group '11		Group '10	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	15,767	11,963	8,147	6,368
Retirement pensions	-	-	6,000	-
Financial assets available for sale (AFS)	-	657	-	3,407
Other	2,507	5,622	-	5,110
Deferred tax assets/liabilities	18,274	18,242	14,147	14,885
	32	-	(738)	-

MZN' 000

	Bank '11		Bank '10	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	15,767	-	8,147	-
Retirement pensions	-	-	6,000	-
Deferred tax assets	15,767	-	14,147	-

Movement in the item Net deferred taxes is as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Balance on the 1st of January	(738)	3,587	14,147	19,734
Charge for the year	(3,975)	(4,194)	1,620	(5,586)
Movement in reserves	(35)	(131)	-	-
Other movements	4,780	-	-	-
	32	(738)	15,767	14,147

30. OTHER LIABILITIES

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Suppliers	44,754	56,200	7,119	6,966
Sundry creditors	126,083	148,281	84,019	127,702
VAT to be settled	1,795	1,459	1,795	1,459
Retained taxes	80,033	68,584	73,901	63,648
Social security contributions	4,817	4,108	4,817	4,108
Accrued expenditure	192,418	176,481	180,141	165,162
Staff costs	400,851	403,792	373,604	371,758
Deferred income	147,176	100,447	147,176	100,447
Earmarked resources	47,520	55,742	47,520	55,742
Other liabilities	21,951	17,571	20,315	15,958
	1,067,398	**1,032,665**	**940,407**	**912,950**

31. SHARE CAPITAL

The Bank's share capital of 4,500,000 thousand Meticais comprising 45,000,000 shares, each with a nominal value of 100 Meticais, is fully subscribed and paid up.

On the 31st of December 2011 the shareholding structure was as follows:

	Dec. '11 Nr. shares	% holding	Dec. '10 Nr. shares	% holding
Millennium BCP Participações. S.G.P.S., Lda.	30,008,460	66.69%	10,002,820	66.69%
Mozambican State	7,704,747	17.12%	2,568,249	17.12%
INSS – Instituto Nacional de Segurança Social	2,227,809	4.95%	742,603	4.95%
EMOSE – Empresa Moçambicana de Seguros, SARL	1,866,309	4.15%	622,103	4.15%
FDC – Fundação para Desenvolvimento da Comunidade	487,860	1.08%	162,620	1.08%
Managers, technicians and Workers (MTW)	2,704,815	6.01%	901,605	6.01%
	45,000,000	**100.00%**	**15,000,000**	**100.00%**

32. RESERVES AND RETAINED EARNINGS

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Legal reserve	1,366,001	1,028,829	1,366,001	1,028,829
Other reserves and retained earnings	1,451,891	3,498,504	853,870	3,067,136
Net income for the year	3,647,078	2,408,222	3,417,524	2,247,810
	6,464,970	**6,935,555**	**5,637,395**	**6,343,775**

Under Mozambican law – Lei 15/99 on Credit Institutions – every year the Bank must increase its legal reserves by at least 15% of its annual profit until this is equal to the share capital. Under normal circumstances reserves cannot be distributed. Given the Bank's annual profit in 2010, it allocated 337,172 thousand Meticais to its legal reserves in 2011.

33. DIVIDENDS

In accordance with the decision by the Ordinary General Meeting held on the 25th of March 2011 the Board of Directors' decided that 50% of the profit determined on the 31st of December 2010 should be distributed, after establishing its Legal Reserve of 1,123,904 thousand Meticais.

34. GUARANTEES AND OTHER COMMITMENTS

Guarantees and other commitments are analysed as follows:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Guarantees and endorsements issued				
Personal guarantees	6,810,742	6,851,870	6,810,742	6,851,870
Real guarantees	601,667	2,050,194	601,667	2,050,194
Guarantees and endorsements received				
Personal guarantees	65,369,765	71,758,590	65,369,765	71,758,590
Real guarantees	10,435,684	11,424,542	10,435,684	11,424,542
Third party commitments	4,832,436	4,527,863	4,832,436	4,527,863
Foreign exchange spot operations:				
Purchases	517,848	503,771	517,848	503,771
Sales	489,631	524,585	489,631	524,585
Foreign exchange forward operations:				
Purchases	3,071	530	3,071	530
Sales	3,073	499	3,073	499

35. RELATED PARTIES

On the 31st of December the debits and credits held by the Bank arising from the Group's transactions with related parties (Grupo Millennium bcp), in the years ended on the 31st of December 2011 and 2010, are as follows:

	2011					
	Assets		Liabilities			Off balance
	Credit Instit. deposits	Credit Instit. loans	Credit Instit. debits	Customers deposits	Other liabilities	Real guarantees
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**

	2010					
	Assets		Liabilities			Off balance
	Credit Instit. deposits	Credit Instit. loans	Credit Instit. debits	Customers deposits	Other liabilities	Real guarantees
Banco Comercial Português S.A.	48,687	4,267,435	-	-	99,260	2,050,194
Millennium bcp Bank & Trust (Cayman)	2,505	4,566	-	-	-	3,823
Millennium BCP Partic. S.G.P.S., Lda.	-	-	-	9,634	-	-
	51,192	**4,272,001**	**-**	**9,634**	**99,260**	**2,054,018**

On the 31st of December, the income and expenditure of the Bank arising from the Group's transactions with related parties (Grupo Millennium bcp), in the years ended on the 31st of December 2011 and 2010, are as follows:

	2011			2010		
	Income	Expenditure		Income	Expenditure	
	Interest and similar	Interest expend. and similar	Other admin. expenses	Interest and similar	Interest expend. and similar	Other admin. expenses
Banco Comercial Português S.A.	14,813	-	392,870	19,153	605	376,600
Millennium bcp Bank & Trust (Cayman)	39	-	-	44	-	-
Millennium BCP Partic. S.G.P.S., Lda.	-	-	-	-	-	-
	14,852	**-**	**392,870**	**19,197**	**605**	**376,600**

36. CASH AND CASH EQUIVALENT

For the purpose of the cash flow statement the item Cash and cash equivalent comprises the following:

MZN' 000

	Group		Bank	
	'11	'10	'11	'10
Cash deposits	2,272,844	1,703,958	2,272,844	1,703,958
Loans and advances to credit institutions in Mozambique	74,595	28,946	74,567	28,946
Loans and advances to credit institutions abroad	2,380,136	255,076	2,380,136	255,076
	4,727,575	**1,987,980**	**4,727,547**	**1,987,980**

37. FAIR VALUE

Fair value is based on market prices when these are available. If not, as is the case of many products provided to Customers, fair value is estimated using internal models based on cash flow discounting techniques.

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

- Cash and deposits at *Banco de Moçambique*, Deposits in other credit institutions, Deposits from other credit institutions, Loans and advances to other credit institutions, Resources in the Interbank Money Market and Assets with Repurchase Agreements

Given the extremely short maturity of these financial instruments the amount in the balance sheet is a reasonable estimate of their fair value.

- Loans and advances to Customers

The above-mentioned financial instruments are remunerated primarily through variable interest rates associated with indexing the interest period of each contract that is close to the market rates for each kind of financial instrument, such that their fair value is identical to their book value that is deducted from impairment losses.

- Deposits from Customers

Given the extremely short period associated with these financial instruments their current portfolio conditions are similar to those currently being applied such that the balance sheet is a reasonable estimate of their fair value.

- Debt securities issued and subordinated debt

Both debt securities issued and subordinated debt are established through contracts, most of which are remunerated at variable rates *i.e.* the weighted average by maturity and amount of the last six issues of Treasury Bills (TB) so their fair value is identical to their book value. All changes in the value of these liabilities arising from changes in the interest rate used do not affect the capital owed. They only affect the amount of interest to be paid.

38. RETIREMENT PENSIONS

On the 31st of December 2011, the number of participants covered by the Bank's retirement pension plan was as follows:

	'11	'10
Retirees and pensioners	521	522
Current Employees	2,184	1,915
	2,705	**2,437**

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

MZN' 000

	'11	'10
Past service liabilities	711,196	712,580
Retiree liabilities	925,561	884,476
Pensioner liabilities	102,324	94,971
Total liabilities	**1,739,081**	**1,692,027**
Value of coverage	1,739,405	1,658,751
Coverage difference	324	(33,276)
Cost for the year	41,152	105,099

In December 2011 the Bank recognised the coverage difference in the item Staff costs.

The coverage value of retirement pensions is analysed as follows:

MZN' 000

	'11	'10
For current Employees Accumulated value of the capitalisation policy plus estimate of profit sharing	711,520	679,304
For retired former Employees		
Assets + Income allocated to Annuity policy	1,027,885	979,447
	1,739,405	**1,658,751**

The assumptions on which the actuarial value of liabilities is based are analysed as follows:

MZN' 000

	'11	'10
Normal retirement age:		
Men	60	60
Women	55	55
Rate of salary increase	11.25%	12.75%
Rate of pension increase	8.45%	10.00%
Fund rate of return	12.45%	14.00%
Mortality table	PF 60/64	PF 60/64

39. CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT

The following reporting by segment, business and geographical segments, complies with IFRS 8.

The Bank offers a range of banking activities and financial services with a special focus on Commercial Banking and Insurance.

Description of the segments
Commercial Banking continued to be the Bank's core business in terms of both volume and contribution to results.

Commercial Banking, that targets the Retail and Corporate Banking segments, focuses on meeting the financial needs of both individual Customers and companies.

The strategic approach in Retail Banking targets mass market Customers who appreciate a proposition based on innovation and speed, and affluent Customers with specific interests. The latter have financial assets of a certain size or an income level that warrant a proposition based on innovation and personal attention through a dedicated Customer manager and are considered prime Customers.

Under its cross-selling strategy, Retail Banking also functions as a distribution channel for the Insurance Company's products and services.

The Corporate segment, that focuses on institutional entities and companies of a size that meets the Bank's selection criteria for this segment, offers a wide range of added-value products and services adapted to their financial needs.

The "Others" segment covers residual segments that individually represent less than 10% of the Group's total income, net income and assets.

The Bank is unaware of any other business segments under IFRS 8 other than those identified under IAS.

The accounting base used for management reports is based essentially on IFRS.

ACTIVITY OF BUSINESS SEGMENTS ON THE 31ST OF DECEMBER 2011

The figures in the profit and loss account reflect the income allocation process based on the average figures reported for each business segment.

The net contribution of the Group's Insurance Company reflects its individual net income irrespective of the percentage held by the Bank. The "others" column refers to consolidation adjustments.

The following information is based on financial statements prepared in accordance with IFRS.

MZN' 000

31st of December 2011	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net interest income	3,001,469	2,485,857	363,888	-	5,851,214
Net fees and commission income	552,450	741,911	(46,847)	-	1,247,514
Net gains from trading activity	452,839	370,505	(22,130)	-	801,214
Other operating income	147,651	120,766	740,270	(292,909)	715,778
Total operating income	**4,154,409**	**3,719,039**	**1,035,181**	**(292,909)**	**8,615,720**
Staff costs	842,531	538,183	115,769	(45,320)	1,451,163
Other administrative expenses	979,658	476,333	66,458	(134,204)	1,388,245
Depreciation	198,787	66,079	12,762	14,940	292,568
Total operating costs	**2,020,976**	**1,080,595**	**194,989**	**(164,584)**	**3,131,976**
Loan impairment	306,694	460,042	-	-	766,736
Other provisions	(26,372)	(24,675)	295,863	-	244,816
Profit before income tax	**1,853,110**	**2,203,077**	**544,329**	**(128,325)**	**4,472,191**
Income tax	291,780	346,884	147,981	-	786,645
Minority interests	-	-	-	38,469	38,469
Profit for year attributable to Shareholders	**1,561,331**	**1,856,193**	**396,348**	**(166,794)**	**3,647,078**

MZN' 000

31st of 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					
Deposits from Customers	29,649,487	15,677,403	-	-	45,326,890

MZN' 000

31st of December 2010	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net interest income	2,156,230	1,996,870	211,644	-	4,364,744
Net fees and commission income	508,365	528,421	(-44,812)	-	991,974
Net gains from trading activity	643,613	526,593	26,985	-	1,197,191
Other operating income	85,323	69,810	786,403	(171,496)	770,040
Total operating income	**3,393,532**	**3,121,693**	**980,219**	**(171,496)**	**7,323,949**
Staff costs	755,307	595,761	110,649	(105,100)	1,356,618
Other administrative expenses	903,712	440,629	68,965	(133,120)	1,280,186
Depreciation	178,163	60,382	9,838	87,705	336,088
Total operating costs	**1,837,182**	**1,096,772**	**189,451**	**(150,514)**	**2,972,892**
Loan impairment	294,535	441,802	-	-	736,337
Other provisions	84,281	140,826	422,850	-	647,957
Profit before income tax	**1,177,533**	**1,442,293**	**367,918**	**(20,982)**	**2,966,763**
Income tax	187,550	229,227	118,668	-	535,445
Minority interests	-	-	-	23,096	23,096
Profit for year attributable to Shareholders	**989,984**	**1,213,066**	**249,249**	**(44,078)**	**2,408,222**

MZN' 000

31st of December 2010	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Assets					
Loans and advances to Customers	13,406,688	21,575,790	-	-	34,982,478
Liabilities					
Deposits from Customers	26,270,722	15,597,087	-	-	41,867,809

40. RISK MANAGEMENT

When conducting its activities the Group is subject to various kinds of risk. Risk management is centralised in Millennium bcp that coordinates with local departments and takes into account the specific risks of each business in each region.

The Millennium bim risk management policy is designed to ensure, at all times, an adequate relationship between its equity and the corresponding assessment of the risk/returns profile for each business line.

The policy has already been discussed in the chapter on Risk management in the initial part of this report.

The main types of risk – loan, market, liquidity and operating – are presented below strictly from the accounting perspective governing the activity of the Bank and the Group.

MAIN TYPES OF RISK

Credit – Credit risk is associated with the degree of uncertainty about expected returns, due to the inability of the borrower (and the guarantor, if any) or the entity that issued a security or the counterparty in a contract, to meet their obligations as a Millennium bim borrower.

Market – Market risk reflects the potential loss inherent to a given portfolio due to changes in rates (interest and foreign exchange) and/or the prices of the various financial instruments that make up the portfolio, given both the correlation between them and the volatility of the respective prices.

Liquidity – Liquidity risk reflects the Bank's inability to meet its obligations at maturity without incurring significant losses due to the deterioration of financing conditions (financing risk) and/or the sale of its assets below their market value (market liquidity risk).

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

MARKET RISK

Market risks can be of different types, such as interest rate risk, foreign exchange rate risk, commodity price risk and share price risk. Each type reflects the risk of losses due to changes in their respective variable.

Interest Rate Risk

Interest rate risk is the risk of losses due to changes in interest rates. Interest rate risk is inherent to banking activity.

Exchange Rate Exposure Risk

Exchange rate risk refers to the possibility of losses arising from changes in foreign exchange rates *i.e.* the risk of a financial instrument's value floating due to changes in the exchange rate.

The Bank uses internal models to follow and monitor these risks as described in the chapter on Risk Policy and Management, namely:

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

To measure interest rate risk (with the gaps based on the residual repricing terms of active contracts) as shown in the following tables that compare the situation on the 31st of December 2011 with the same period in 2010:

MZN' 000

	Group						
31st of December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Assets							
Cash and deposits at *Banco de Moçambique*	6,129,695	-	-	-	-	-	6,129,695
Deposits in other credit institutions	2,454,731	-	-	-	-	-	2,454,731
Loans and advances to credit institutions	4,494,365	866,874	3,823	-	-	2,686	5,367,748
Loans and advances to Customers	12,028,219	2,826,975	19,731,670	22,276	1,078,263	(1,495,187)	34,192,216
Financial assets available for sale	686,026	2,321,709	7,074,417	-	-	(528,068)	9,554,084
Other assets	-	-	-	-	-	4,400,366	4,400,366
Total assets	**25,793,036**	**6,015,558**	**26,809,910**	**22,276**	**1,078,263**	**2,379,797**	**62,098,840**
Liabilities							
Deposits from other credit institutions	94,179	-	-	-	-	-	94,179
Deposits from Customers	30,840,754	5,017,748	9,270,900	-	-	197,489	45,326,890
Debt securities issued	1,000,000	-	-	-	-	39,567	1,039,567
Other liabilities	-	-	-	-	-	4,553,124	4,553,124
Total liabilities	**31,934,933**	**5,017,748**	**9,270,900**	**-**	**-**	**4,790,180**	**51,013,760**
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

	Group						
31st of December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Total assets	22,671,607	9,266,362	19,742,740	120,003	1,520,047	2,491,286	55,812,046
Total liabilities and equity	32,253,533	5,917,717	4,694,802	600	-	12,945,393	55,812,046
Interest rate risk gaps	(9,581,926)	3,348,645	15,047,938	119,403	1,520,047	(10,454,108)	-
Accumulated interest rate risk gap	(9,581,926)	(6,233,281)	8,814,657	8,934,061	10,454,108	-	-

MZN' 000

	Bank						
31st of December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Assets							
Cash and deposits at *Banco de Moçambique*	6,129,695	-	-	-	-	-	6,129,695
Deposits in other credit institutions	2,454,703	-	-	-	-	-	2,454,703
Loans and advances to credit institutions	4,494,365	866,874	3,823	-	-	2,686	5,367,748
Loans and advances to Customers	12,028,219	2,826,975	19,731,669	22,277	1,078,263	(1,495,187)	34,192,216
Financial assets available for sale	658,000	2,228,516	6,949,452	-	-	(539,884)	9,296,084
Other assets	-	-	-	-	-	3,448,660	3,448,660
Total assets	**25,764,982**	**5,922,365**	**26,684,944**	**22,277**	**1,078,263**	**1,416,275**	**60,889,106**
Liabilities							
Depósits from other credit institutions	94,179	-	-	-	-	-	94,179
Deposits from Customers	31,230,235	5,996,130	10,090,368	-	-	259,340	47,576,073
Debt securities issues	1,000,000	32,500	200,000	-	-	43,318	1,275,818
Subordinated debt	-	-	260,000	-	-	2,504	262,504
Other liabilities	-	-	-	-	-	1,543,137	1,543,137
Total liabilities	**32,324,414**	**6,028,630**	**10,550,368**	**-**	**-**	**1,848,299**	**50,751,711**
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 gap	**(6,559,432)**	**(6,665,697)**	**9,468,880**	**9,491,157**	**10,569,419**	**-**	**-**

MZN' 000

	Bank						
31st of December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Total assets	22,637,088	8,923,166	19,617,970	120,003	1,520,047	1,507,700	54,325,974
Total dliabilities and equity	32,550,021	6,776,160	5,551,267	600	-	9,447,926	54,325,974
Interest rate risk gaps	(9,912,933)	2,147,006	14,066,703	119,403	1,520,047	(7,940,226)	-
Accumulated interest rate risk	(9,912,933)	(7,765,927)	6,300,776	6,420,179	7,940,226	-	-

(ii) Sensitivity analysis of Interest Rate Risk in the banking portfolio

The interest rate risk arising from banking portfolio operations is assessed through monthly risk sensitivity analysis for the universe of operations included in the Bank's balance sheet.

This analysis considers the financial characteristics of the contracts available in the information system. These data are used to calculate, by remaining reprising maturity dates, the impact on the Bank's economic value of a change in the market interest curve.

(iii) Exchange rate Risk

This is assessed by measuring indicators defined in the prudential standards of *Banco de Moçambique*, and is analysed using indicators such as the following:

- Net Open Position per Foreign Currency – Obtained by the Risk Office from the Bank's Information Technology system and validated by the Accounts Department and the Finance Department and reported as of the last day of each month.

- Sensitivity Indicator – Calculated by simulating the impact on the Bank's net income of a hypothetical 1% variation in the central bank closing rate.

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

MZN' 000

Group	'11			'10		
	American Dollars	Other foreign currencies	Total	American Dollars	Other foreign currencies	Total
Assets						
Cash and deposits at *Banco de Moçambique*	488,324	130,125	618,449	253,570	247,621	501,191
Deposits in other credit institutions	2,166,697	221,379	2,388,076	123,874	138,190	262,065
Loans and advances to credit institutions	2,825,116	55,781	2,880,897	5,174,783	460,156	5,634,939
Loans and advances to Customers	5,910,537	620,418	6,530,955	7,512,800	808,040	8,320,840
Financial assets available for sale	28,778	-	28,778	35,489	-	35,489
Other assets	27,556	64,897	92,453	48,733	43,547	92,280
	11,447,008	1,092,600	12,539,608	13,149,249	1,697,554	14,846,803
Liabilities						
Deposits from other credit institutions	32,711	22,653	55,364	127,326	37,664	164,990
Deposits from Customers	10,411,390	887,763	11,299,153	12,254,556	1,496,695	13,751,251
Provisions	432,941	100,030	532,971	454,950	83,756	538,706
Subordinated debt	-	-	-	-	-	-
Other liabilities	74,444	142,158	216,602	540,085	104,370	644,455
	10,951,486	1,152,604	12,104,090	13,376,917	1,722,485	15,099,402
Global operating position	495,522	(60,004)	435,518	(227,668)	(24,931)	(252,599)

MZN' 000

Bank	'11			'10		
	American Dollars	Other foreign currencies	Total	American Dollars	Other foreign currencies	Total
Assets						
Cash and deposits at *Banco de Moçambique*	488,324	130,125	618,449	253,570	247,621	501,191
Deposits in other credit institutions	2,166,697	221,379	2,388,076	123,874	138,190	262,064
Loans and advances to other credit institutions	2,825,116	55,781	2,880,897	5,174,783	460,156	5,634,939
Loans and advances to Customers	5,910,537	620,418	6,530,955	7,512,800	808,040	8,320,840
Financial assets available for sale	771	-	771	920	-	920
Other assets	4,068	53,727	57,795	1,733	5,989	7,723
	11,395,513	1,081,430	12,476,943	13,067,680	1,659,996	14,727,676
Liabilities						
Deposits from other credit institutions	32,711	22,653	55,364	127,326	37,664	164,990
Deposits from Customers	10,490,814	923,225	11,414,039	12,254,556	1,496,695	13,751,251
Provisions	129,211	4,906	134,117	141,747	6,962	148,709
Subordinated debt	-	-	-	-	-	-
Other liabilities	53,702	92,170	145,872	537,537	97,104	634,641
	10,706,438	1,042,954	11,749,392	13,061,166	1,638,425	14,699,591
Global operating position	689,075	38,476	727,551	6,514	21,571	28,085

The figures on exposure to exchange rate risk show that the predominant foreign currency in the balance sheet of the Group and the Bank is the American Dollar.

Income in 2011 and 2010 also shows that the Group and the Bank are within tolerance limits for exchange rate risk defined according to the prudential standards established by *Banco de Moçambique*, whether per currency or for all currencies.

LIQUIDITY RISK

The following tables analyse the financial and off-balance sheet assets and liabilities of the Group and the Bank by relevant maturity groups. The amounts comprise the value of assets, liabilities and off-balance sheet items taking into account the residual contractual maturity.

MZN' 000

	Group				
31st December 2011	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Assets					
Cash and deposits at *Banco de Moçambique*	6,129,695	-	-	-	-
Cash and deposits in other credit institutions	2,454,731	-	-	-	-
Loans and advances to credit institutions	4,495,930	870,351	3,882	-	-
Loans and advances to Customers	4,855,173	1,919,583	3,251,498	8,890,899	17,249,612
Financial assets available for sale	658,000	2,228,516	6,603,029	129,080	463,527
Total assets	**18,593,529**	**5,018,450**	**9,858,409**	**9,019,979**	**17,713,139**
Liabilities					
Deposits from other credit institutions	94,178	-	-	-	-
Deposits from Customers	29,579,933	3,759,023	11,979,841	8,093	-
Debt securities issued	47,500	-	351,833	-	1,000,000
Subordinated debt	-	-	-	-	-
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

	Group				
31st December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Total assets	15,274,408	8,271,642	3,177,415	8,177,593	18,757,606
Total liabilities	29,774,206	4,498,046	7,828,296	600	1,000,000
Liquidity gaps	(14,499,798)	3,773,596	(4,650,881)	8,176,993	17,757,606
Accumulated liquidity gap	(14,499,798)	(10,726,202)	(15,377,083)	(7,200,090)	10,557,516

MZN' 000

	Bank				
31st December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Assets					
Cah and deposits at *Banco de Moçambique*	6,129,695	-	-	-	-
Cash and deposits in other credit institutions	2,454,703	-	-	-	-
Loans and advances to credit institutions	4,495,930	870,351	3,882	-	-
Loans and advances to Customers	4,855,173	1,919,583	3,251,498	8,890,899	17,249,612
Financial assets available for sale	658,000	2,228,516	6,575,022	-	374,430
Total assets	**18,593,501**	**5,018,450**	**9,830,402**	**8,890,899**	**17,624,042**
Liabilities					
Depósits from other credit institutions	94,178	-	-	-	-
Deposits from Customers	30,053,867	4,793,333	12,785,571	8,093	-
Debt securities issued	47,500	18,978	370,631	37,776	1,000,000
Subordinated debt	-	-	2,504	85,000	175,000
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**

MZN' 000

	Bank				
31st December 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Total assets	15,274,408	8,271,642	2,942,750	8,034,543	18,632,836
Total liabilities	30,090,093	5,332,104	8,421,280	118,100	1,175,000
Liquidity gaps	(14,815,685)	2,939,538	(5,478,530)	7,916,443	17,457,836
Accumulated liquidity gap	(14,815,685)	(11,876,147)	(17,354,677)	(9,438,234)	8,019,602

The Board of Directors is convinced that the contractual maturity of demand deposits does not reflect properly the length of time that these deposits remain in the Bank.

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

OPERATING RISK

The Bank has adopted principles and practices that ensure efficient operating risk management, namely, defining and documenting these principles and implementing the respective control mechanisms. These include segregation of functions, levels of responsibility and the respective authorisation powers, exposure limits, codes of ethics and conduct, key indicators, computer system controls, contingency plans, physical and logical access, reconciliation activities and in-house training on processes, products and systems.

41. SOLVENCY

The equity of *Banco Internacional de Moçambique* is calculated in accordance with the applicable regulations, *i.e.* *Banco de Moçambique* Notice 05/GBM/2007. Total equity is the result of adding base equity (Tier 1) and complementary equity (Tier II) and subtracting from the relevant component in aggregate deductions.

Tier 1 comprises paid up capital, reserves and the deferred impacts associated with transitional adjustments to IFRS (International Financial Reporting Standards).

At the same time, in order to determine Tier 1 the following are deducted: other intangible assets, goodwill related to assets, positive/negative actuarial deviations and costs incurred with past services, associated with post-employment benefits assigned by the entity that, in accordance with NIC 19 – Employee Benefits (Corridor Method) were not recognised in the year's profit, income carried over or reserves.

Tier 1 can also be influenced by the existence of revaluation differences on other assets, on cash flow hedge transactions and on financial liabilities assessed at fair value through results, in the part corresponding to own credit risk. It can also be influenced by the existence of a fund for general banking risks and by insufficient provisions, if provisions for loan impairment, calculated according to International Accounting Standards, are lower than the provisions required by *Banco de Moçambique* Notice 7/GBM/07 calculated on an individual basis.

Tier II comprises subordinated debt, reserves arising from the revaluation of tangible fixed assets and, with the prior authorisation of *Banco de Moçambique*, the inclusion of assets that can be freely used to cover risks normally linked to the activity of institutions, although capital gains or losses still have to be identified.

In order to calculate regulatory capital there must be some deductions from total equity, namely, the net value of the non-financial assets balance received as own credit reimbursement.

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Disclosure of Capital	'11	'10
Base equity		
Tier 1 capital		
Paid up capital	4,500,000	1,500,000
Reserves and retained earnings	2,217,327	4,093,421
Intangible assets	(60,181)	(64,760)
Tier 1 total capital	6,657,146	5,528,661
Tier II capital		
Subordinated debt	174,000	226,000
Other	9,033	9,303
Tier II total capital	183,033	235,303
Deduction from total equity	63,620	59,341
Eligible equity	6,776,559	5,704,623
Assets weighted by risk		
On balance sheet	34,642,341	35,061,175
Off balance sheet	3,183,725	2,804,679
Ratio of adequacy of Tier I equity	17.6%	14.6%
Ratio of adequacy of Tier II equity	0.5%	0.6%
Solvency ratio	17.9%	15.1%

42. RISK CONCENTRATION

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

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Group										
Sector	Dep. in other credit institutions	Loans and advances to credit institutions	Loans and advances to Customers	Financial assets available for sale	Invest. in associate	Other assets	'11		'10	
							Total	%	Total	%
Public sector	-	-	3,086,156	9,464,647	-	-	12,550,803	23.9%	8,137,555	17.2%
Financial institutions	2,454,731	5,367,748	-	28,999	-	-	7,851,478	14.9%	6,540,448	13.8%
Agriculture and forests	-	-	1,525,580	-	-	-	1,525,580	2.9%	1,627,147	3.4%
Extractive industries	-	-	32,664	-	-	-	32,664	0.1%	21,318	0.0%
Food, beverages, tobacco	-	-	1,193,762	28,801	-	-	1,222,563	2.3%	1,482,038	3.1%
Textiles	-	-	23,971	-	-	-	23,971	0.0%	2,808	0.0%
Paper, printing and publishing	-	-	34,431	-	-	-	34,431	0.1%	38,968	0.1%
Chemicals	-	-	234,114	-	-	-	234,114	0.4%	207,679	0.4%
Machinery and equipment	-	-	1,165,193	-	-	-	1,165,193	2.2%	607,354	1.3%
Electricity, water and gas	-	-	130,270	-	-	-	130,270	0.2%	170,703	0.4%
Construction	-	-	2,783,478	-	-	-	2,783,478	5.3%	2,768,803	5.9%
Commerce	-	-	4,852,376	-	-	-	4,852,376	9.2%	4,685,828	9.9%
Restaurants and hotels	-	-	951,789	-	-	-	951,789	1.8%	1,166,610	2.5%
Transport and communication	-	-	3,038,908	30,461	14,277	-	3,083,646	5.9%	3,662,586	7.8%
Services	-	-	4,116,395	1,176	210,700	-	4,328,271	8.2%	4,663,977	9.9%
Consumer credit	-	-	9,290,268	-	-	-	9,290,268	17.7%	8,655,802	18.3%
Mortgages	-	-	995,867	-	-	-	995,867	1.9%	1,052,647	2.2%
Other activities	-	-	736,994	-	-	818,782	1,555,776	3.0%	1,763,272	3.7%
	2,454,731	5,367,748	34,192,216	9,554,084	224,977	818,782	52,612,538	100.0%	47,255,543	100.0%

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Bank										
Sector	Dep. in other credit institutions	Loans and advances to credit institutions	Loans and advances to Customers	Financial assets available for sale	Invest, in subsidiaries	Other assets	'11		'10	
							Total	%	Total	%
Public sector	-		3,086,156	9,271,792	-	-	12,357,948	23.6%	7,697,902	16.5%
Financial institutions	2,454,703	5,367,748	-	23,116	356,148	-	8,201,715	15.7%	6,861,115	14.7%
Agriculture and forests	-	-	1,525,580	-	-	-	1,525,580	2.9%	1,627,147	3.5%
Extractive industries	-	-	32,664	-	-	-	32,664	0.1%	21,318	0.0%
Food, beverages, tobacco	-	-	1,193,762	-	-	-	1,193,762	2.3%	1,477,057	3.2%
Textiles	-	-	23,971	-	-	-	23,971	0.0%	2,808	0.0%
Paper, printing and publishing	-	-	34,431	-	-	-	34,431	0.1%	38,968	0.1%
Chemicals	-	-	234,114	-	-	-	234,114	0.4%	207,679	0.4%
Machinery and equipment	-	-	1,165,193	-	-	-	1,165,193	2.2%	607,354	1.3%
Electricity, water and gas	-	-	130,270	-	-	-	130,270	0.2%	170,703	0.4%
Construction	-	-	2,783,478	-	-	-	2,783,478	5.3%	2,768,803	5.9%
Commerce	-	-	4,852,376	-	-	-	4,852,376	9.3%	4,685,828	10.0%
Restaurants and hotels	-	-	951,789	-	-	-	951,789	1.8%	1,166,610	2.5%
Transport and communication	-	-	3,038,908	-	-	-	3,038,908	5.8%	3,605,563	7.7%
Services	-	-	4,116,395	1,176	-	-	4,117,571	7.9%	4,453,277	9.5%
Consumer credit	-	-	9,290,268	-	-	-	9,290,268	17.8%	8,655,802	18.6%
Mortgages	-	-	995,867	-	-	-	995,867	1.9%	1,052,647	2.3%
Other activities	-	-	736,994	-	-	620,949	1,357,943	2.6%	1,544,935	3.3%
	2,454,703	5,367,748	34,192,216	9,296,084	356,148	620,949	52,287,848	100.0%	46,645,516	100.0%

REPORT OF INDEPENDENT AUDITORS

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

Audit Report

We have conducted an audit of the attached individual and consolidated financial statements of *BIM – Banco Internacional de Moçambique, S.A.*, comprising the individual and consolidated balance sheet as at 31st of December 2011, the individual and consolidated financial statements, income statements, changes in equity and cash flow for the financial year ending on that date and the respective annex summarizing the main accounting policies and other explanatory information.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these individual and consolidated financial statements, in accordance with current International Financial Reporting Standards (IFRS), and for the internal control it considers necessary for the preparation and presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to give an opinion on these individual and consolidated financial statements, based on our audit. We conduct our audit in accordance with International Auditing Standards. These standards oblige us to comply with ethical requirements and to plan and carry out the audit with the objective of obtaining an acceptable degree of certainty that the individual and consolidated financial statements do not contain any materially relevant misstatements.

An audit involves carrying out procedures to obtain audit evidence of the amounts and disclosures in the individual and consolidated financial statements. It is up to the auditor to select the procedures, including assessment of the risk of material misstatement in the individual and consolidated financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers the Bank's relevant internal control over the preparation and appropriate presentation of the individual and consolidated financial statements in order to conceive the appropriate audit procedures under the circumstances, but not with the intent of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes an assessment of whether the accounting policies used are appropriate, whether the Board of Directors' accounting estimates are reasonable, and also whether the overall presentation of the individual and consolidated financial statements is adequate.

We believe that the audit proof we have obtained provides a sufficient and appropriate basis for our opinion.

Opinion

In our opinion, the above-mentioned individual and consolidated financial statements present, in an appropriate manner, in all materially relevant aspects, the individual and consolidated financial position of *BIM – Banco Internacional de Moçambique, S.A.* on the 31st of December 2011, the individual and consolidated financial performance and the individual and consolidated cash flow in the year ending on that date, in accordance with International Financial Reporting Standards (IFRS).

Maputo, the 20th of February 2012

OPINION OF THE AUDIT BOARD

In accordance with the legal and statutory dispositions, the Audit Board presents to Shareholders the report on its inspection of the activities of *BIM – Banco Internacional de Moçambique S.A.* and its opinion on the Consolidated Financial Statements of the Millennium bim Group, the Bank's Financial Statements on an individual basis and the report of the Board of Directors on the financial year ending on the 31st of December 2011.

In addition to meeting throughout the year with the regularity required by law, the work of the Audit Board has included monitoring the Bank's activity, essentially by studying its Monthly Financial Statements and the respective Management Information, by participating in meetings of the Board of Directors, through contacts with the Management and through information gathered from the Bank's management information systems, in order to assess the evolution of its activities.

Special attention was paid to the main transactions that together explain the main variations in the main indicators of the Bank's activity on an individual basis, namely:

- The rise of some 32.1% in Net Interest Income (from 4,153.1 million Meticais in 2010 to 5,487.3 million Meticais in 2011), as a result of a combined variation on the following items:

  i) a slight decrease in the volume of net loans to Customers (from 34,982.5 million Meticais in 2010 to 34,192.2 million Meticais in 2011); and

  ii) changes in the portfolio of bonds and other fixed income securities available for sale (from 4,547.2 million Meticais in 2010 to 9,296.1 million Meticais in 2011).

- A decrease of some 0.9% in Other Net Income (from 2,406.7 million Meticais in 2010 to 2,386.1 million Meticais in 2011), arising from:

  – changes in Dividends from Equity Instruments (dividends received from *Seguradora Internacional de Moçambique, S.A.*) from 45.6 million Meticais in 2010 to 113.8 million Meticais in 2011;

  – a rise of some 24.9% in Net Commissions (from 1,035.9 million Meticais in 2010 to 1,294.4 million Meticais in 2011) due to a rise in the volume of transactions generating commissions for the Bank, in particular the card, credit and guarantee business;

  – a decrease of some 29.6% in Net Gains from Trading Activity (from 1,170.2 million Meticais in 2010 to 823.3 million Meticais in 2010) due to foreign exchange position; and

  – a decrease of some 0.4% in Other Net Operating Income from 155.1 million Meticais in 2010 to 154.6 million Meticais in 2011.

- A variation on the credit portfolio quality due to the rise of claims, reflecting the effects of worsening market economic conditions, led to:

  i) a rise of some 52.6 % in overdue loans from 412.1 million Meticais in 2010 to 628.8 million Meticais in 2011;

  ii) the rise of the "overdue loans as a proportion of total loans" ratio, that rose from 1.1% in 2010 to 1.7% in 2011; and

  iii) a decrease of the volume of total provisions for impairment losses from 414.0% in 2011, against 481.0% in 2010 due to the prudential risk evaluation. In absolute, the volume of total provisions for impairment for credit risks was 2,603.3 million Meticais in 2011 against 1,981.9 million Meticais in 2010.

- Growth in attracting customer resources, with the financial statements showing that Customer's deposits raised from 43,544.9 million Meticais in 2010 to 47,576.1 million Meticais in 2011, *i.e.* a rise of 9.3%. These resources are being applied carefully, mainly in loans to Customers.

- A rise in operating costs (that include staff costs, other administrative expenses and depreciation), that in 2011 reached 3,101.6 million Meticais (compared to 2,934.0 million Meticais in 2010), some 5.7% higher than the previous year.

- The Bank's net income of 3,417.5 million Meticais achieved the previous year.

The Audit Board also studied the Management and Accounts Report for 2011, and the Financial Statements audited by the External Auditor, including its Opinion, showing:

- That the Consolidated Balance Sheet and the Balance Sheet of *BIM – Banco Internacional de Moçambique, S.A.*, as at the 31st of December 2011, are a correct reflection of the financial situation of the Group and the Bank;

- That the Consolidated Net Income Statement and the Bank's Net Income Statement show a consolidated profit of 3,647.08 million Meticais and a Bank profit of 3,417.5 million Meticais, which represent the results of the activity of the Group and the Bank;

- That the Consolidated Integral Income Statement and the Integral Income Statement of the Bank show an integral income for the Group of 3,647.15 million Meticais and an integral income for the Bank of 3,417.5 million Meticais, respectively;

- That the Consolidated Cash Flow Statement and the Bank's Cash Flows Statement for the year show an increase from 2,739.60 million Meticais in cash and equivalent for the year for the Group and 2,739.57 million Meticais for the Bank; and

- That the Statement on Changes in Consolidated Equity and the Statement on Changes in the Bank's Equity show that on the 31st of December 2011 Equity was 11,085.1 million Meticais for the Group and 10,137.4 million Meticais for the Bank.

Following its verification and the information obtained the Audit Board:

- Is of the opinion that the Consolidated Financial Statements and the Financial Statements of the Bank (comprising the following documents of the Group and the Bank: Balance Sheet, Income Statement, Integral Income Statement, Cash Flows and the Statement on Changes in Equity and the respective Notes):

  i) comply with the law and meet statutory requirements, as well as rules issued by the Central Bank;

  ii) were prepared in accordance with International Financial Reporting Standards (IFRS); and

  iii) reflect the financial situation of the Group and the Bank as at the 31st of December 2011, as well as the results of operations by the Group and the Bank during the financial year.

- It is of the opinion that the Annual General Meeting:

  – Should approve the Management Report of the Board of Directors and the Consolidated Financial Statements of *BIM – Banco Internacional de Moçambique*, for the financial year ending on the 31st of December 2011;

  – Should congratulate the Board of Directors and all the other *Millennium bim* employees for their performance in the 2011 financial year.

Maputo, the 20th of February 2012

The Audit Board
Antonio de Almeida – Chairman
Eulália Mário Madime – Member
Armando Pedro Muiuane Júnior – Member
Maria Iolanda Wane – Substitute Member

Annual Report 2011
BIM – Banco Internacional de Moçambique, S.A.

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