BIM – Banco Internacional de Moçambique, S.A.

Annual Report 2016

CHAIRMAN'S STATEMENT

2016 was profoundly marked by internal and external circumstances, therefore it can be considered an atypical year in the political, economic and social scenarios. The economic-financial environment of Mozambique, and the set of events which the country has gone through, resulted in a new paradigm that has led the Government and the Banco de Moçambique to adopt corrective economic policies in order to reestablish macroeconomic stability.

The effects of the economic shocks imply a structural change in the way the market operates as well as all its economic agents, namely requiring an additional effort from them.

Also, the Millennium bim has adapted to the context, with the redefinition of its business strategy which involved the adoption of measures and initiatives which aimed at maintaining comfortable levels of liquidity, prudent risk management and, above all, a strict compliance of regulatory standards.

Despite the challenges faced in 2016, Millennium bim has remained solid and resilient, supported by good governance, appropriate level of capital and balance robustness. We continue to play a vital role in the economy with regard to complying with our main mission, the financial intermediation between savers and borrowers, and the expansion of financial inclusion in Mozambique.

Confident regarding the recovery of economic growth in the medium and long run, the Bank continued to invest in banking uptake by expanding branch network nationwide. Currently, Millennium bim operates with a network of 176 branches spread through all provinces in the country, 478 ATM and over 8,000 POS, showing our continuous effort in being increasingly closer to the population.

During its more than 20 years of existence, Millennium bim has positioned himself as a financial partner reference in the national and regional market, promoting a competitive and diverse offering based on a sophisticated bank focussed on creating value to Customers. We keep our focus on technology innovation, customer inclusion and financial education, support of public sector development and business sector strengthening.

In addition to providing modern and safe payment systems, the Bank launched new online banking platforms to better serve its Customers. During this year, amongst other initiatives, we have advanced with the modernisation of the website, simplified the process of account opening and launched the application SMART IZI for reinforcement in mobile banking, which relies on over 500,000 frequent users and over 72 million transactions in 2016.

The work of Millennium bim in 2016 allowed expanding its Customer base by approximately 180,000 new Customers, now the Bank has a customer base exceeding 1.6 million Customers.

In 2016, the consistency of the Bank's economic and financial indexes, assessed by asset profitability, robustness of its own funds and level of capital adequacy of 18,8%, considerably above the regulatory threshold of 8% defined by the regulator, reflects the institution's financial strength. The Millennium bim's profile of profitability and equity position the institution as the leading Mozambican bank in the ranking of the 100 Largest Banks of Africa.

This year, Millennium bim was also considered *Best Bank* by the magazine *Emea Finance* and as the best Bank in Mozambique providing *Trade Finance* solutions, by the magazine *Global Finance*. The effort in operational efficiency has, once again, given it the distinction of *VISA Global Service Quality Awards* in the category "Efficiency", as renewal of the safety certification PCI-SSC (*Payment Card*

Industry – Security Standards Council) keeps the Bank as the first and only financial institution in Mozambique, and one of only 16 in all African continent, to have this important distinction.

These results could be achieved in a sustainable manner through the collaboration and trust of Customer, Shareholders and other Stakeholders. With market expertise, strategic vision, financial strength and innovative attitude, Millenium bim will continue to perform its role towards the country's economic and social progress.

Still, the Bank recognises that next year will be particularly difficult and challenging, requiring high level of effort and proficiency from Millennium bim's collaborators in the fulfilment of their responsibilities. The Bank will continue to be attentive to prudential rules, following up with the Regulator in minimising risks.

In view of the challenges posed by the economic scenario, strategic lines were drawn for 2017 in order to consolidate the position in the national banking system, which consist of:

- ✓ Prudence in the management of liquidity and grant of credit, maintaining appropriate profitability;
- ✓ Proactively support our Customers;
- ✓ Maintain good solvency and efficiency ratios, guaranteeing a solid and distinct position in the market;
- ✓ Financially support sustainable investment projects which contribute to the creation of value for the country's economy and development;

We thank our Customers for trusting Millennium bim and our team who have shown an extremely high level of professionalism and ability to adjust to new challenges.

We can do it.

[Illegible Signature]
Rui Cirne Plácido de Carvalho Fonseca

SUMMARY OF INDICATORS

Million Meticais

Indicators	2016	2015	2014	2013	Change % 16/15
Balance sheet					
Total assets	133,780	117,066	101,502	85,428	14.3%
Loans to customers (net)	78,283	66,331	56,795	47,921	18.0%
Total customer funds	100,687	91,450	80,412	67,623	10.1%
Shareholders' equity	21,496	18,760	16,552	14,238	14.6%
Profitability					
Net operating revenues	13,332	9,953	8,820	8,040	33.9%
Operating costs	5,485	4,592	4,054	3,681	19.5%
Impairment and Provisions	1,617	1,268	590	463	27.5%
Income taxes	1,720	702	682	592	145.0%
Net income attributable to the Bank's Shareholders	4,510	3,391	3,494	3,303	33.0%
Cost to income ratio	41.1%	46.1%	46.0%	45.8%	
Return on average equity (ROE)	22.5%	19.4%	23.0%	25.6%	
Return on average total assets (ROA)	3.6%	3.2%	4.0%	4.3%	
Credit Quality					
Loans overdue by more than 90 days / Total loans	3.5%	4.2%	2.2%	1.7%	
Doubtful loans/Total loans	4.0%	4.3%	2.5%	1.8%	
Impairment for loan losses / Overdue loans by more than 90 day	205.4%	141.7%	241.3%	348.0%	
Cost of risk	188 p.b.	158 p.b.	97 p.b.	91 p.b.	
Solvency (*)					
Tier I	20.2%	20.0%	19.0%	21.5%	
Total	18.8%	19.8%	19.0%	21.4%	
Business Indicators					
Customers (thousand)	1,632	1,454	1,306	1,216	12.2%
Branches	176	169	166	157	4.1%
Employees	2,402	2,351	2,367	2,329	2.2%

Does not include the Net Income for the Year under review

SUMMARY OF THE REPORT OF THE BOARD OF DIRECTORS

According to the IMF forecasts, global economy may have grown only 3.1% in 2016, which if confirmed, could have been the worst performance since the financial crisis of 2008. The slowdown in international commerce, the weak flow of investment and greater political uncertainty, especially in the USA, have been the main factors for the slowdown of world economy. For 2017, estimates point towards a slightly higher growth of 3.4%.

In the USA the forecast is an expansion of 1.9% in 2017, notwithstanding the protectionist policy conducted by the Administration of Donald Trump, which may decrease the trust of economic agents, and lead to potential retaliations by the targeted countries. Growth of 2% is estimated in the United Kingdom in 2016 and a slowdown to 1.5% in 2017, justified by the scenario of uncertainty felt by the *Brexit* effect, which may limit economic growth for some months. The Euro Zone exposed to diverse risks namely the slowdown of world economy, particularly in China, internal politics uncertainty especially for the elections in Holland, France and Germany, the migration crisis, effects of the British referendum and Banking instability in some countries. The combination of these factors supports the perspectives of slower growth for the European economy, 1.6% in 2017. In China, growth has slowed down; estimates are 6.5% in 2017 after 6.7% in 2016. Although the economy has proved resilient to exogenous shocks, there are, however, risk factors which stretch to 2017 and influence Chinese economic performance. Namely, the high level of debts, the decrease in exchange reserves and outflow of foreign capitals. According to the IMF, the economic activity of the Sub-Saharan Africa region has slowed down abruptly in 2016 (1.6%), essentially to reflect the low prices of raw material and the weak performance of the world economy.

In Mozambique, the macroeconomic scenario, in 2016, deteriorated due to a set of adverse factors. On one hand, the volatility of average commodity prices in the international market impacted the level of Direct Foreign Investment. On the other hand, the discovery of an additional amount of foreign public debt led to international donors stop their contribution to the State's Budget, as well as the suspension of support programs by cooperation partners. These factors, coupled with political instability, which affected the business scenario, and the reduction of agricultural output as a result of climate changes were reflected in the slowdown of economic activity with the Gross Domestic Product (GDP) registering an average growth of 3.3% in 2016, after registering 6.6% in the previous year.

In the monetary panorama, the high inflationary pressure observed during 2016, resulting largely on the strong depreciation of the Metical against the major foreign currencies (U.S. Dollar, Rand and Euro), has led the Banco de Moçambique to adopt strongly restrictive measures of monetary adjustment. As a result, there has been a tendency of slowing down exchange rate pressure in the last quarter of the year.

In the foreign sector, there was an improvement in the trade deficit in goods, explained by the combined effect of the sharp drop in imports and slight increase in export earnings of mega-projects, supported by improved international prices of coal and aluminium.

The vulnerability of public finances influenced the downgrade revision of the sovereign rating by the major international rating agencies.

Despite the challenges faced in 2016, the Bank remained solid and resilient, supported by good governance, appropriate level of capital, balance sheet robustness, comfortable liquidity position, prudent risk management, adoption of best practices and transparency in the relationship with customers, as well as the strict compliance of regulatory standards.

The strategic plan for 2016 aimed at reinforcing the Bank's leadership in the segments in which it operates, based on the continuous improvement of the quality of service, in order to grow the Customer base, and the expansion of channels, in order to be closer to the Customers. Similarly, Millennium bim kept the focus on the increase of financial inclusion and economic development of Mozambique, through the implementation of the partnership with the Correios de Moçambique, consisting of network expansion by opening branches of Millennium bim in their facilities. In addition to two traditional branches, within the scope of this project, 5 branches were opened in 2016, expanding the size of the Bank's network to 176 branches. The presence of authorized banking agents network was also strengthened, resulting in by year end covering most of the country's districts. The physical expansion of the network allowed to expand the Customer base by about 180,000 new Customers in 2016, and has already exceeded 1.6 million.

In addition to providing the network of branches to Customers, Millennium bim kept investment in remote and digital channels, having reached the end of the year with 478 ATM and 8,103 POS. Similarly, computer development activities were carried out in the area of online banking: the Bank launched a new website version, making them more intuitive, functional and fast; and launched the app for smartphones, Smart IZI, allowing the Customer to conveniently perform a wide range of transactions.

At the same time the network of Prestige branches of the Corporate Branches Network was created to, respectively, better serve the affluent Private Customers and Small and Medium-sized Enterprises. To this end, a partnership was established with the FSD Moç (Financial Sector Deepening) that aims to contribute to the development of the market, promoting financial inclusion of the populations and support for SME.

In an adverse macroeconomic context, the Millennium bim intended to reaffirm its market presence as the commercial bank of reference in Mozambique, taking advantage of the double meaning of the expression "Aqui consigo" ("Here, with you, I can"): the proximity and relationship with Customers, and efficient delivery of solutions and financial services to its customers.

Notwithstanding the challenges, the consistency of the Bank's economic and financial indexes, assessed by asset profitability, robustness of its own funds and level of capital adequacy of 18,8%, considerably above the regulatory threshold of 8%, reflect the Institution's financial resilience and strength. In 2016, the asset has increased 14% to 133,780 million Meticais, compared to 117,066 million Meticais registered in the same period in 2015. Customer resources grew 10% to 100,687 million Meticais, while net loans to Customers increased by 18% to 78,283 million Meticais.

The financial margin grew 58% compared with the previous year, leveraged by the effect of the significant increase in the rates of interest bearing assets, which more than compensated for the increased rates paid on passive operations.

On the other hand, and keeping with the conservative management policy and the rational balance sheet strength, Millennium bim increased impairments by 28% compared with the same period, to 1,617 million Meticais.

Notwithstanding, net income was positive by 4,510 million Meticais in 2016, registering growth of 33% compared with the net income of 3,391 million Meticais recorded in 2015.

The net result of the Seguradora Internacional de Moçambique was 2,102 million Meticais, an increase of 295% compared to 2015, justified by revenue growth in Real branches, investment profitability and also non-recurring gains from revaluation of their properties.

Millennium bim believes that the Bank's excellent performance is based on the quality of its Collaborators. In this context, over 2016 various activities were developed focused on Human Resources Management, particularly in three pillars: (i) Talent Recruitment and Retention; (ii) Collaborator Training and Development; and (iii) Improvement of the performance assessment system.

The programme “Mais Moçambique pra Mim” (More Mozambique for me) expressed the firm view of the Bank that being socially responsible means to exercise a set of duties regarding the Community, creating and developing initiatives that promote economic and social development of the country. The Bank reiterates its commitment to the implementation and dissemination of the principles of the United Nations Global Pact Initiative concerning Human Rights, Work and the Environment, as well as its support to the implementation of the objectives of the Business Forum for the Environment (FEMA).

[Illegible Signature]
Rui Cirne Plácido de Carvalho Fonseca
(Chairman)

[Illegible Signature]
Miguel Maya Dias Pinheiro
(1st Deputy-Chairman)

[Illegible Signature]
José Reino da Costa
(2nd Deputy-Chairman)

[Illegible Signature]
Maria da Conceição Mota S. O. Callé Lucas
(Director)

[Illegible Signature]
Manuel Alfredo de Brito Gamito
(Director)

[Illegible Signature]
Jacinto Zacarias Uqueio
(Director)

[Illegible Signature]
João Manuel R. T. da Cunha Martins
(Director)

[Illegible Signature]
Jorge Octávio Netos dos Santos
(Director)

[Illegible Signature]
Moisés Jorge
(Director)

[Illegible Signature]
Liliana Marisa Catoja da Costa Lemos
(Director)

[Illegible Signature]
Fernando Manuel Nobre de Carvalho
(Director)

[Illegible Signature]
Nuno Pedro da Silva do Carmo Vaz
(Director)

[Illegible Signature]
Ricardo David
(Director)

SHAREHOLDER STRUCTURE

Meticais

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

* Other - 1,700 investors, with individual holdings of less than 1%, acquired under the process of sale of State shares to the Employees.

GOVERNING BODIES

Board of the General Meeting

Letícia Deusinha da Silva Klemens	Chairman
Flávio Prazeres Lopes Menete	Deputy-Chairman
Horácio de Barros Chimene	Secretary

Supervisory Board

Teotónio Jaime dos Anjos Comiche	Chairman
Eulália Mário Madime	Member
Daniel Filipe Gabriel Tembe	Member
Maria Iolanda Wane	Alternate Member

Board of Directors

Rui Cirne Plácido de Carvalho Fonseca	Chairman
Miguel Maya Dias Pinheiro	1st Deputy Chairman
José Reino da Costa	2nd Deputy Chairman
Maria da Conceição Mota S. O. Callé Lucas	Director
Manuel Alfredo de Brito Gamito	Director
Jacinto Zacarias Uqueio	Director
João Manuel R. T. da Cunha Martins	Director
Jorge Octávio Netos dos Santos	Director
Moisés Jorge	Director
Liliana Marisa Catoja da Costa Lemos	Director
Member Fernando Manuel Nobre de Carvalho	Director
Nuno Pedro da Silva do Carmo Vaz	Director
Ricardo David	Director

Economic Environment

International Economy

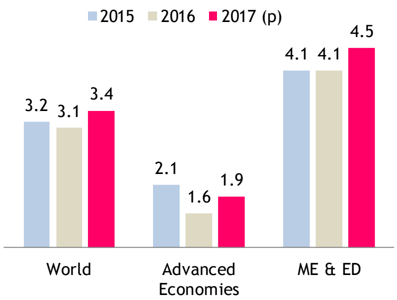
According to the IMF forecasts, global economy might grow 3.1% in 2016, which if confirmed, could have been the worst performance since the financial crisis of 2008. The slowdown in international commerce, the weak flow of investment and greater political uncertainty, especially in the USA, are the main factors for the slowdown of world economy. For 2017, the estimate points to a slightly higher growth of 3.4%, driven by acceleration in developing economies and emerging markets which should expand 4.5%, in this block especially India with an estimated growth of 7.2%.

In the USA the forecast is an expansion of 1.9% in 2017, notwithstanding the protectionist policy conducted by the Administration of Donald Trump, which may decrease the trust of economic agents, and lead to retaliation by some countries in question. Changes in monetary policy represent a potential risk since it increases the climate of uncertainty in the financial markets, and on the other hand, the behaviour of the dollar will tend to influence the performance of exports.

In advanced economies, the IMF estimates that the Japanese economy will have grown 0.9% in 2016, taking into consideration that the high public debt constitutes a risk factor affecting the balance of public finances. Growth of 2% is estimated in the United Kingdom in 2016 and a slowdown to 1.5% in 2017, justified by the scenario of uncertainty due to the *Brexit* effect, which may limit economic growth for some months.

Graph 1. Global Economy

percentage change



Source: IMF

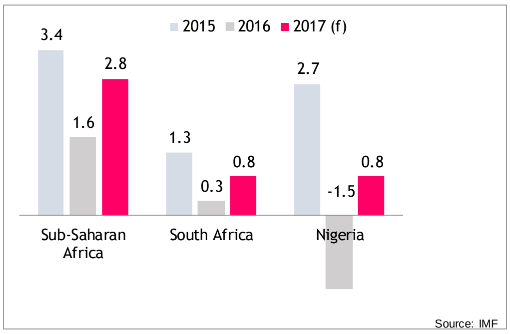
The Euro Zone exposed to diverse risks namely the slowdown of world economy, particularly in China, internal politics uncertainty especially for the elections expected in Holland, France and Germany, putting at stake the European project, the migration crisis, effects of the British referendum and Banking instability in some countries. The combination of these factors supports the perspectives of a slower growth of the European economy of 1.6% in 2017, corresponding to a decrease of 0.1 percentage points in comparison to the previous year.

In China, growth has slowed down; estimates are 6.5% in 2017 after 6.7% in 2016, although economy has proved resilient to exogenous shocks. However, there are risk factors that are carried to 2017 and that influence the performance of the Chinese economy, in particular: the high indebtedness (particularly of companies), decrease in foreign exchange reserves and outflow of foreign capital.

Over the course of several years, the international trade supported the Chinese economic growth model, however, sales abroad have been decreasing due to activity slowdown, currency depreciation and lower prices of raw materials on international markets.

According to the IMF, the economic activity of the Sub-Saharan Africa region has slowed down abruptly in 2016 (1.6%), essentially reflecting the low prices of raw material and the weak performance of the world economy. %). The high volatility of commodity prices in the international market, more restrictive financing conditions, delays in the implementation of economic policies, adverse weather conditions and political disturbances, are the main factors of economic slowdown in the region.

Graph 2. Sub-Saharan Africa
percentage change



National Economy

The macroeconomic scenario of Mozambique deteriorated in 2016 due to a set of adverse factors, namely: (i) political instability that has affected the business environment and reduction of investment; (ii) decrease in agricultural output as a result of climate changes; (iii) volatility of commodity prices in the international market, especially for aluminium and coal, (iv) postponement of foreign investment decisions, especially in mega-projects; (v) contraction in aggregate demand; (vi) discovery of an additional amount of foreign debt that has led international donors to freeze financial aid to the State budget as well as the suspension of programmatic support by the partners for cooperation (including the IMF and World Bank), putting pressure on the foreign accounts and worsening of the country's fiscal situation.

The combination of these shocks was reflected, on one hand, in the slowdown of economic activity with the Gross Domestic Product (GDP) registering an average growth of 3.3% in 2016, after 6.6% observed a year earlier. On the other hand, the strong depreciation of the Metical against the main foreign currencies (US Dollar, Rand, Euro), the exchange rate having reached the all-time high of 80 Meticais per Dollar in September, equivalent to an annual depreciation of about 74% (according to data released by the Banco de Moçambique).

It should be noted that the sharp depreciation of the national currency, combined with lower availability of foreign currency into the economy, contributed significantly to the corrosion of liquid international reserves of the country, in a context of lower foreign investment flows and foreign funding.

In the monetary panorama, the high inflationary pressures observed over 2016, led the Banco de Moçambique to adopt strongly restrictive measures of monetary adjustment, especially the increase in 1350 bps in key interest rates, namely marginal lending facility (FPC) and deposit facility rate (FPD), from 9.75% and 3.75% in December 2015 to 23.25% and 16.25% at the end of 2016. Simultaneously, the regulator unified the coefficient of compulsory reserves of assets in national and foreign currency to 15.5%. The restrictive monetary policy of the central bank aimed to essentially hold the exchange rate pressure in order to restore the balance between the supply and demand of foreign currency in the market, to mitigate the loss of foreign reserves.

As a result of monetary adjustment measures, a tendency of slowing down exchange rate pressure was observed in the last quarter of the year, especially in October and November 2016, the appreciation of the Metical against the American Dollar in about 6.1% after 9 consecutive months of losses.

In the foreign sector, there was an improvement in the trade deficit in goods, explained by the combined effect of the drop in imports and increase in export earnings of mega-projects, supported by improved international prices of coal and aluminium. As a matter of fact, the exports of these two products increased by 225% and 18% respectively, in the fourth quarter of 2016, according to figures released by the Banco de Moçambique.

In view of the atypical macroeconomic scenario observed in 2016, the Mozambican Government has conducted a review of fiscal policy through the Amending State Budget, approved in July last year, which enforces the restrain on expenditure (funded by internal resources), downgrade of tax revenues due to the economic slowdown, reduced donations arising from the suspension of external disbursements and increase of public foreign debt service resulting from currency depreciation.

Also in the fiscal framework, the country continued to face substantial risks considering the magnitude of the public debt ratio (mostly in foreign currency), which according to the IMF was at high levels in 2016, reaching 130% of the GDP, resulting from the disclosure of an additional amount of undeclared foreign public debt, coupled with the impact of Metical depreciation. The vulnerability of public finances influenced the downgrade revision of the sovereign rating by the major international rating agencies.

Despite the major challenges the country faces in the short term, the national and international economic forecasts point to a relatively optimistic scenario in the medium and long term sustained by favourable expectation of development of natural gas exploration projects in the Rovuma basin, in Cabo Delgado, having been approved by the end of 2016, the investment plan of ENI (major operator of the area 4) concerning the Coral Sul project.

It is also expected that the resumption of economic growth in 2017 around 5.5%, will be strongly driven by the expansion of the mining industry, particularly coal, supported by increased demand from India and recovery of the prices of raw materials on international markets.

However, the economic performance expected for 2017 will fundamentally depend on the continuity of the process of adjustment of economic policies (monetary and fiscal) to mitigate inflationary and exchange rate pressures; the effective restoration of peace to promote the improvement of the business environment and investment attraction; the outcome of the negotiating process with the creditors to make public debt financially sustainable; the negotiation of the new programme of financial support from the IMF in order to restore the confidence of donors and international investors, enabling dampen pressures on the external accounts and ensure macroeconomic stability.

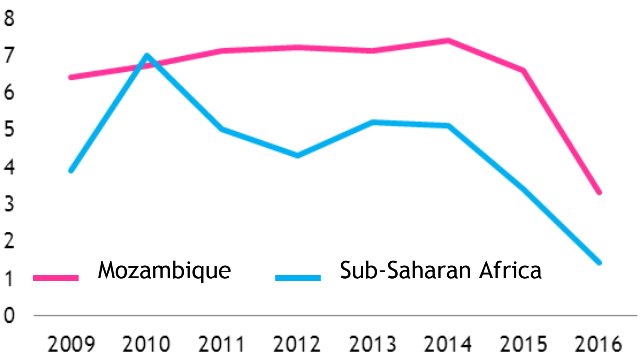
Economic Activity

Mozambique's gross domestic product slowed to an historical low level in 2016 (3.3% according to data published by the INE), after a cycle of accelerated and robust growth of 7% on average in the last decade. Cooling of economic activity in the period under review is justified by exogenous shocks on the domestic situation and military tensions that have affected most sectors of the economy, especially agriculture, mining industry, trade and services, tourism and transportation.

According to the INE, the performance of economic activity in 2016 was assigned first to the secondary sector that expanded 5.2%, sustained by the manufacturing industry with an increase of about 7.3%, followed by construction with 6.7%. The tertiary sector occupied the second position with an acceleration of 5.1%, driven by the growth of 25.4% of the financial services sector. The primary sector is also noteworthy with a growth of 3.9% leveraged by the mining industry with 10.9%.

Graph 3. Actual GDP growth

percentage change



Source: INE, IMF

In 2016 the agricultural sector continued to be the sector with the highest contribution to the economy development in Mozambique, representing 23% of the GDP and employing 80% of the working population. The GDP breakdown by sectors also includes the sectors of transport and communications (12%), trade (11%) and manufacturing (9%).

Evolution of Inflation

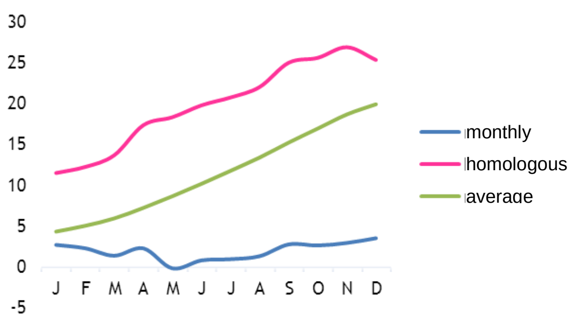
The data published by the INE, indicate that the Consumer Price Index (CPI), in aggregate terms, registered at the end of December 2016, a monthly increase of 3.47%, constituting the highest percentage variation of the year. Annual inflation was 25.27% and the annual average was 19.85%. This variation corresponds to price increases at all levels in the last 5 years, being above average in the region (12.7%) in accordance with the harmonised price index of SADC of December 2016.

The behaviour of the annual inflation mainly reflects the strong currency devaluation in 2016, in part associated with the poor performance of exports, especially in the first half, and also to the smaller external capital flows.

The food and non-alcoholic beverages sector was the biggest contributor to price variation (17.09 pp), influenced in part by the increase of food prices in South Africa, one of the main suppliers of the national market. The inflation forecasts for 2017 point to a slowdown due to the tendency of stabilisation of the Metical.

Graph 4. Evolution of Inflation 2016

percentage change



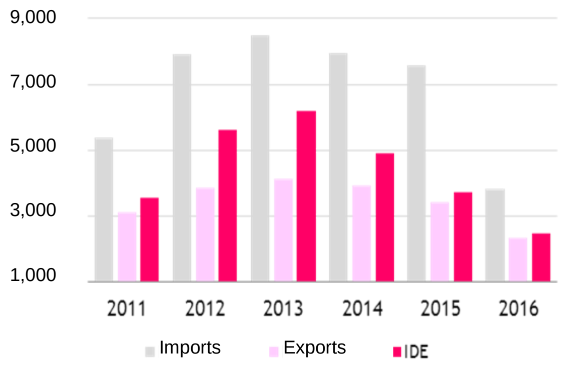
Source: INE

External Balance

The economic slowdown has had positive impact on the balance of trade, reflecting on the imports and exports that have helped reduce the foreign deficit to USD 434.3 million in the third quarter of 2016. Provisional data show that in the third quarter of 2016, the current account deficit of the balance of payments was about USD 898 million (USD 1,706.9 million in the same period in 2015), which corresponds to a negative variation of 47% compared to the same period in 2015.

Graph 5. External Sector

In million US$



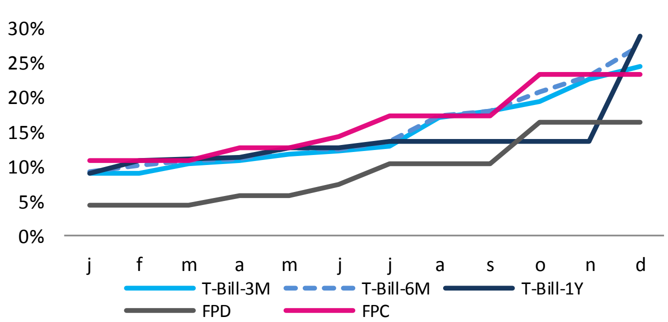
Source: BM

The improvement of the current account deficit during the period in reference, is justified by the mixed behaviour of foreign trade, including an increase in exports to USD 825.8 million (USD 821.3 million in the same period in 2015) and a reduction of imports to USD 1,260.1 million (USD 2,126 million in same period in 2015).

The decline in imports is explained by the adverse market situation (drop in foreign direct investment, lower availability of foreign currency) coupled with the effect of depreciation of the Metical. On the side of exports increase was due to a favourable evolution of international prices of goods of megaprojects, especially coal and aluminium, gas, electric power and heavy mineral sands.

Reference rates

Following the strongly restrictive monetary policy adopted since October 2015 by the Banco de Moçambique, substantiated in the sharp increase of its key rates, the rates of the Treasury bills reflected this action and recorded a high increase in all maturities.



Similarly, given the economic and financial situation and intervention by the Banco de Moçambique, assuming the direct management of Moza Banco and revoking the business licence of Nosso Banco, the amount of exchanges in the Interbank Money Market (IMM) registered a significant decrease. Banks continued to exchange some liquidity among themselves but preferably through Repos with the rate of such transactions rising considerably without differentiating operations without collateral (exchanges).

Evolution interest rates in the IMM				
	Dec-15	Dec-16	Change	
91 days	7.81%	24.32%	16.51%	⬆
182 days	7.25%	27.47%	20.22%	⬆
364 days	7.55%	28.84%	21.29%	⬆
Swaps	6.62%	23.16%	16.54%	⬆
FPD	3.75%	16.25%	12.50%	⬆
FPC	9.75%	23.25%	13.50%	⬆

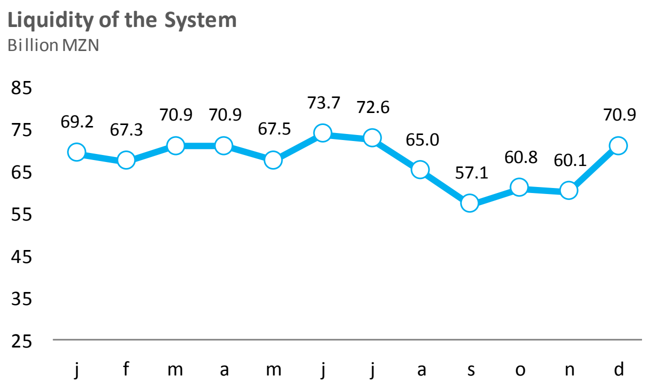
Liquidity of the System

In order to control inflation the regulator not only significantly increased the coefficient of compulsory reserves on deposits in national currency throughout the year, but also, as of June, started to differentiate the regime of reserves, segregating the incidence base in national and foreign currencies.

Evolution of the Coefficient of Compulsory Reserves		
Date	National currency	Foreign currency (in USD)
07/12/2015	10.50%	-
07/06/2016	10.50%	15.00%
22/08/2016	13.00%	15.00%
22/11/2016	15.50%	15.50%

Throughout the year the liquidity of the system in local currency was being affected by the effect of these restrictive measures and, as of October, also by the impact of the bailout of Moza Banco, the fourth largest financial institution in the country. From the end of November we saw a recovery of system liquidity in national currency as a result of purchases of foreign currencies by the Banco de Moçambique from commercial banks.

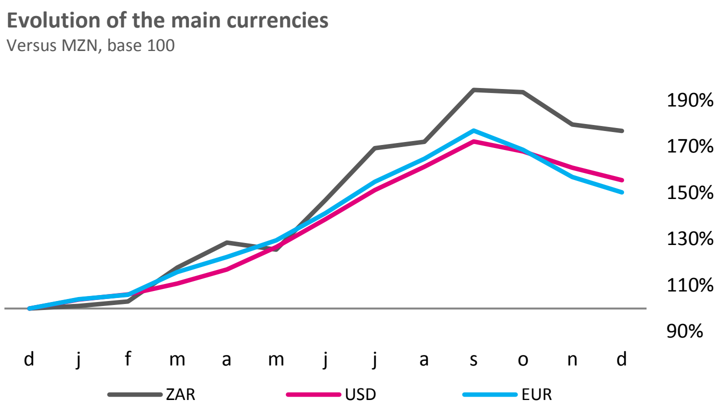
In 2016, the State relied considerably less on capital markets than in previous years, having only issued 4.13 billion Meticais in Treasury Bonds with maturities of 3 and 4 years. In the first half of the year the State issued 2.13 billion Meticais at fixed rate with the coupon ranging between 11.00% and 12.75% and in October, 2 billion Meticais at variable rate with the initial coupon of 21.5%.



It's worth noting that from August 2016 the Treasury Bonds of floating rate also became eligible for Open Market operations.

Evolution of the major currencies relative to the metical

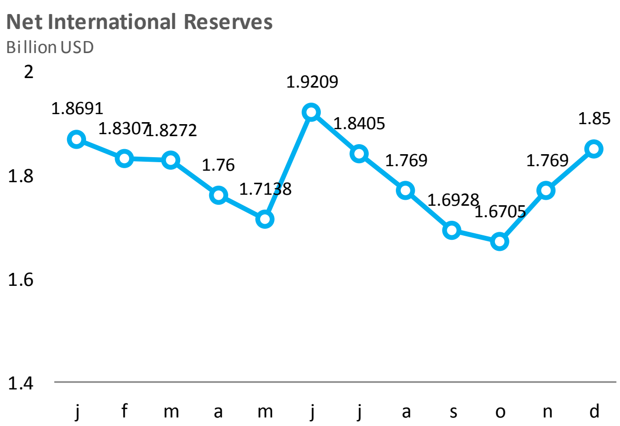
2016 kept the previous year's trend characterised by a strong Metical instability against the main international currencies, based on the sharp and continuous devaluation of the Mozambican currency against the US dollar until November. As of that date, the restrictive measures in monetary and fiscal policy taken by the BM, since October 2015, and intensified in the last CPMO began to take effect, both in the exchange rate, as in the monetary aggregates and a drop in aggregate demand, translated in the strong contraction in imports of goods and services. The Metical entered a cycle of appreciation, which continued in November and accelerated in December, with the RILs showing also some recovery as a result of purchases of foreign currencies by the central bank.



Reference interest rates of Banco de Moçambique at the end of 2016
USD/MZN 71.35, EUR/MZN 75.16 and ZAR/MZN 5.20.

Evolution of the balance of net international reserves

The Net International Reserves (RIL) went from USD 1,997.400 million in December 2015 to USD 1,850.0 (estimate) by the end of 2016. At the end of the year, the balance of the Gross International Reserves would guarantee approximately 3 months of coverage of imports of goods and non-factor services and 3.5 months when excluded the operations of major projects. It's important to note the atypical evolution behaviour of this indicator throughout 2016 from June, when the Banco de Moçambique started to differentiate the regime of reserves, segregating the incidence base in national and foreign currencies.



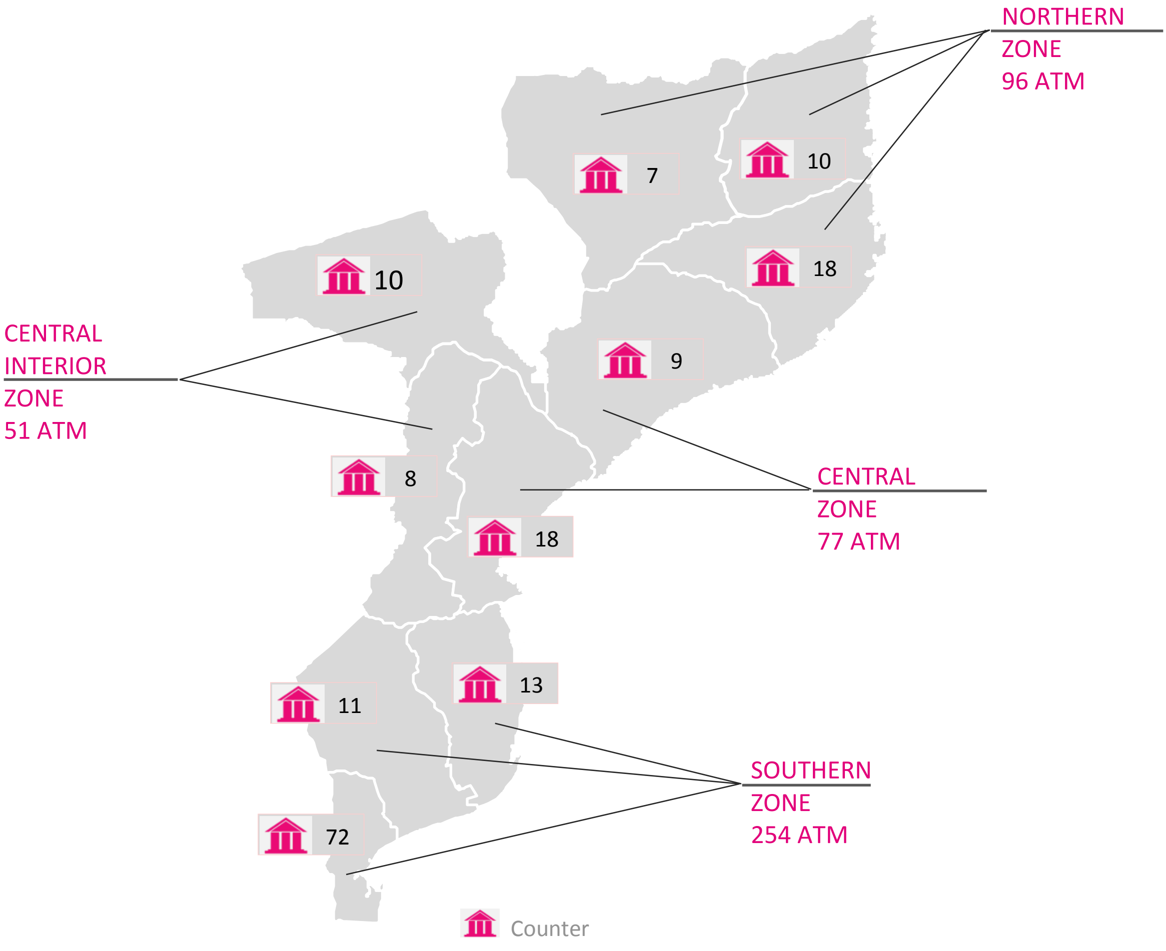
The Bank

The Network of Millennium bim

Network
Distribution by zone presence

	Customers	Branches	ATM	POS
Northern Zone	286,768	35	96	1,082
Central Interior Zone	171,115	18	51	625
Central Zone	239,713	27	77	921
Southern Zone	934,488	96	254	5,475
	1,632,084	**176**	**478**	**8,103**

Branch and ATM network
Distribution by province and by presence zone



Vision, Mission, Values and Strategy

Vision

Millennium bim is a universal bank, focused on the creation of value in all market segments and a presence based on excellence, quality and innovation in the distribution of financial products and services. It aspires to be a reference bank in customer service and one of its main objectives is to achieve a higher level of efficiency, reflected in a commitment to an efficiency ratio through a judicious management of capital and costs.

Mission

Contribute to the modernisation and development of the Mozambican financial system and economy, through the marketing of innovative and personalised financial products and services, designed to fully meet the financial needs and expectations of different market segments, with the highest standards of quality and specialisation.

Company Values

The Millennium bim Group is governed by the Regard for people and institutions, operating with Vocation for Excellence and with Customer focus constantly in mind, in a relationship of mutual Trust and following clear standards of Ethics and Responsibility.

Strategy

- Commited contribution to the relaunch of the banking uptake of the Mozambiucan economy;
- Maintenance of high levels of satisfaction, loyalty and involvement with Customers;
- Expansion of the Customer base and assets under management in the traditional business areas;
- Peromotion of new initiatives in high potential growth areas;
- Taking a leading position through the exploration of new business opportunities created by new technologies;
- Consolidation of sectoral and regional technological leadership;
- Sustained improvement of profitability and financial robustness levels;
- Recognition of the value, motivation and compensation of Employees;
- Maximisation of the value for Shareholders;

Social Responsibility

Social responsibility programme - More Mozambique for Me

To Millennium bim being socially responsible is to carry a set of duties and obligations, in respect of the Community in which it is integrated, creating initiatives that promote social and economic development of the country, through the implementation of structuring and continuity projects that meet the needs and aspirations of the people.

Created in 2006, the Social Responsibility Programme - More Mozambique for Me, expressed the willingness of the Bank to contribute to the social development of the country, doing the best and in the best way, privileging proximity with the communities in which it operates and supporting various social initiatives, always through a positive and happy attitude in the actions it's involved.

The More Mozambique for Me develops projects of national scope, with emphasis on the areas of education, culture, sports and health, where it intends to play a leading role in improving the living conditions of populations.

Environmental conservation and preservation is a transverse theme in most actions developed by More Mozambique for Me, in an effort to disseminate the good practices of environmental management, with the main focus on the school community.

Guiding principles of the social responsibility of the Bank

Tha Bank has adhered to the principles of the United Nations Global Pact, guiding its action pursuant to international benchmarks since 2003.

The Global Compact seeks to contribute to the construction of a more sustainable global market through the sharing of values that allow access to opportunities for the poorer and more vulnerable populations, asking participating companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of Human Rights, Labour Standards, the Environment and Anti-corruption. Following the adherence in 2003 to the principes of the United Nations Global Pact, Millennium bim has developed and promoted the guiding principles for the defense of human rights, labour, the environment and anti-corruption.

Sports

Education, social interaction and the transmission of values crucial in the growth of a child, as well as the commitment to make the general public aware of the importance of physical activity and the need to have a healthy lifestyle, are the main challenges approached in the sport activities supported by Millennium bim.

Millennium bim Mini Basketball Tournament 2015

In the 11th edition of the Millennium bim Mini Basketball Tournament, boys and girls aged between 6 and 12 lived a unique experience by participating in this sports event which already is a reference in the national sports calendar.

The pavilions and fields of 10 participating cities were small to welcome more than 1,750 young athletes and the audience that participated in the tournament.

This year, in addition to the debut of the city of Inhambane in the competition, the tournament had a renovated format, and it now takes place in 2 distinct phases: the first held in June and July, and the second in November and December, in holiday camp model.

This sports competition aims to contribute to the promotion of sport among the younger competitors, through the implementation of a programme that promotes basketball, but also encompasses cultural activities, enabling a comprehensive development based on the overcoming of challenges and the achieving of objectives.

The cultural background of the athletes is another of the major objectives of this project. Thus, in the course of training for the competition, plastic arts, music and drama workshops were created, where a play based on the short story "The White Elephant" from the book "The colour of Animals" by Calane da Silva and Ana Paula Oliveira was rehearsed, having each of the participants been awarded a copy of the book. The prestigious writer Calane da Silva attended the closing ceremony and gave a speech to all participants, also the highly regarded soprano Stella Mendonça, worked with the young participants in staging the musical play through Musiarte.

The competition featured, once again, the important partnership of the Mozambican Basketball Federation, through the Mozambican Mini Basketball Committee, with the support of the Sumol-Compal and Ímpar that offered insurance to all participants and ensured the presence in all fields of a massage therapist to assist athletes throughout the tournament.

Millennium bim Race

"Here I can achieve victories" was the motto that gathered more than 1000 athletes in the 11th edition of the Millennium bim race, that took place in November in the city of Maputo. The large number of athletes who participated, despite the rain at the beginning of the race, shows how much this event has grown over the years, and is now a reference in the national calendar of this sport. The event, organized in partnership with the Maputo Athletics Association, gathered national and international athletes, as well as enthusiasts of physical exercise, who gather not only to publicize the sport but also to promote physical activity and healthy lifestyle.

Solidary Race - Helpo

The 6th Edition of the Helpo Solidarity Race, with counted with the collaboration of Millennium bim, took place in an atmosphere of great joy, where more than 600 children, aged between 6 and 12, had great fun in this event that resulted in thousands of smiles.

In 2016, the race took place in 7 cities: Maputo, Nampula, Pemba and the Island of Mozambique (Mozambique); Oeiras and Vila Real (Portugal); and Sao Tome (Sao Tome and Principe). In Maputo, the race took place in the Continuadores Park, Mozambican Cathedral of Athletics, where children raced 60 m, 80 m and 600 m. Before that, there were several athletics and basketball games followed by Taekwondo and Rugby demonstrations.

In Maputo, the Helpo Association sponsored the collection and donation of sneakers that were delivered by the Olympic athlete Patrícia Mamona. “In Mozambique, seeing these children, I went back in time when I was a little girl, where I competed and dreamed of becoming someone in Athletics,” said the athlete.

Education

The focus on education represents the belief that all of the investment made in the community will have a multiplier effect in the medium- to long-term. The projects developed with primary and secondary schools focus essentially on the role that young people have in the dissemination of good citizenship practices.

The various projects undertaken in the area of education are developed in order to develop teaching areas that will give the children the structured growth and awareness of their obligations as citizens. Thus, contributing to financial inclusion of younger people, raising awareness of financial concepts and the importance of the act of saving, making them aware of the importance of the knowledge of traffic rules in their lives and raise in each of them the awareness of their role in the preservation of the environment are the major areas of the projects worked in partnership with primary and secondary schools of the country.

“A Clean City for Me”

The main objective of this environmental education project is to create in students the awareness of new disposal habits, betting on the theme of recycling and the importance this has for the cleaning of the city.

Each educational institution has a recycling station within its grounds, where the correct sorting of waste deposited by teachers and students every day is undertaken and that is subsequently weighed and collected.

There were several activities undertaken within the scope of this project, with the purpose to warn children regarding the importance of preserving the environment and promoting the basic principles of sustainability: Reduce, Reuse and Recycle.

To the Nhyamunda School, the school that collected the greatest amount of waste, the Bank in partnership with the Musiarte musical education project, offered a four-day camp holiday. The children had the opportunity to create and produce musical instruments from the collected recyclable waste. Two high school teachers were responsible for the creation of a children orchestra who participated in the workshops of plastic arts and with the instruments created by them. The rehearsals took place during the holiday camp and the orchestra was presented to parents and guests at the end of the school year.

“Road Safety Campaign”

With the aim of contributing to the reduction of the high number of accidents recorded annually, this project that runs from 2010, aims at training and alerting the school community to the real dangers of road traffic.

Through the lectures addressed to teachers and entities related to the education of children and youth, and Traffic Police visits to schools, the project aims to innovate the way of rooting a culture of road safety in the everyday life of the youngsters, through the transmission of information by experts in the subject to those who are the major disseminators of the message amongst children: their teachers.

Having the insurer Ímpar as the main driver, this project also counts on the partnership of Millennium bim, the Traffic Department of the Mozambique Republic Police (MRP) and the INATTER – National Institute of Land Transport.

Millennium bim Banking Olympics

Financial literacy project, which promotes on the one hand, the formation of a new generation of consumers of financial services, instilling in the youngsters, the importance that good money management has on their personal development and in their professional formation and on the other hand, the creation of moments that allow teachers to exchange ideas on how this matter should be approached in schools.

In 2016, the 10 participating schools were represented by 400 students, and after carrying out the examinations, the best 4 students from each school were chosen, resulting in 40 finalists. The finalists attended an entrepreneurship workshop where they, along with their teachers, worked on various financial topics in order to promote their capabilities to develop an innovative idea to be presented in the grand final, using the correct financial instruments for its practical implementation.

This year, the Millennium bim Banking Olympics had a new format in which the winners are students and not schools, encouraging the personal achievement of each student, rewarding their personal and group abilities. Prizes were awarded to all 40 finalists, who received school supplies and several books by renowned Mozambicans authors as Mia Couto and Calane da Silva.

World Savings Day

The World Savings Day is the motto to work with schools the importance of the theme in the formation of students.

The project “Savings in Schools” was carried out, during September and October, in 34 schools from all over the country and covered more than 3,500 students.

The project “Savings in Schools” developed among other activities workshops and training courses for teachers and students on essential matters about savings. These activities, held during September and October, allowed the 3,500 students from 34 schools assigned to Millennium bim, to benefit from an education consisting of economy and savings subjects.

In educational establishments, students through crafts, decorate the school with recycled material and messages alluding to savings. Various contests were created, where students were challenged to think and organize a plan to achieve their objectives. The best works were awarded prizes.

In addition to the activities in schools, the Bank also promoted on their Facebook page, a campaign alluding to the theme, the importance of savings theme was promoted through computer graphics.

Games without Frontiers

Project of the Ministry of Education and Human Development, which Millennium bim and Ímpar joined. For children between 6 and 12 years, this project aims to provide disabled children suitable moments to the practice of physical exercise, fun and games that work to their interpersonal relationship, respect, tolerance, self-respect, among other values.

In Maputo, 300 children, joined in the Middle School of Polana and during a Saturday had the opportunity to practice various sports, namely, mini-basketball, volleyball, athletics, archery, gymnastics and even sack race. In addition to the physical activities students participated in workshops on recycling, theatre, plastic arts, poetry, singing and reading, developing their imagination, creativity, motor skills and reasoning.

World Children's Day

Within the scope of the celebrations of the International Children's Day, Millennium bim, joined Musiarte, and developed a musical rehearsal with 1,700 students from the Alto Maé Primary School, in Maputo. This initiative took place in the morning and gathered all students of the school in a show depicting the celebrations of the International Children's Day, where they sang songs with a strong call for peace: Pomba Branca (White Dove), the Anthem of Joy, among others. The celebration counted on a very enthusiastic audience where parents, teachers and other guests gave a big round of applause to the young artists.

Musiarte

The Musiarte project was created in 2014, and is an initiative of the prestigious opera singers, Stella Mendonça and Sónia Mocumbi; it's main objective is to identify and promote young talents regardless of social conditions.

Millennium bim partnered with this musical education project aiming at providing the appropriate conditions for the functioning of the National Conservatory of Music and Dramatic Art, as well as developing projects which foster in children and teachers a taste for learning music.

Health

The contribution in the area of health is reflected in the support to the implementation of projects that can provide a higher quality of the Mozambican health system, either through long-term projects or responding to requests for immediate intervention.

Capacity-building at Maputo Central Hospital

This project has been running since 2014 with the objective of improving integrated care to cancer patients at Maputo Central Hospital, by improving screening, diagnosis, treatment and registration of oncological diseases.

Millennium bim, Millennium BCP Foundation, the Calouste Gulbenkian Foundation, Instituto Camões - Instituto de Cooperação e da Língua I.P. and the Ministry of Health are partners in the project "Integrated care to cancer patients - Strengthening of the institutional capacity of Maputo Central Hospital".

In action concerted with several Portuguese institutions, this project provides for the intervention in seven services of the Maputo Central Hospital: Oncology, Pathological Anatomy (responsible for the histopathological diagnosis of the entire southern regiuon of the country), Radiology, Pain Unit, Anaesthesiology, Pharmacy and Clinical Pathology (Clinical analysis laboratory and Blood Bank).

Culture

Through the support and promotion of manifestations of artistic creation, the Bank is clearly committed to the development of Mozambican culture and arts.

Art Centre

Millennium bim, as Patron of the Art Centre since 2013, continued to support the dissemination of various expressions of artistic creation that have been worked on and exhibited in this cultural space.

Launch of the book "A Cor dos Bichos (The Colour of Animals)"

Promoting reading habits among the youngsters and contributing to enhancing the quality of education in Mozambique are the main objectives of the partnership established by Millennium bim and the Insurer Ímpar, with writers Calane da Silva and Ana Paula Oliveira.

"The Colour of Animals" is a new work of two writers, a collection of short stories, for the youngest, dealing with themes of nature, in particular the lives of animals, that according to Calane da Silva aims to convey a message "to be more human, more understanding in relation to others and, above all, not to look at people by their skin colour, ideology, way of being and thinking. We have to accept people as they are".

This partnership includes a series of initiatives that associate reading with the development of other fun activities, as for example the work with young athletes who participated in the Millennium bim Mini Basketball Tournament where in addition to the sport they had the opportunity to attend workshops of plastic expression, music and theatre.

This project, in addition to offering 3,000 books to the Ministry of Education and Human Development, to be distributed to schools in the country, also contemplates a series of initiatives that associate reading with the development of other fun activities. As an example, we have the work with young athletes who participated in the Millennium bim Mini Basketball Tournament where in addition to the sport they had the opportunity to attend workshops of plastic expression, music and theatre.

Partnership with Fernando Leite Couto Foundation

The partnership with Fernando Leite Couto Foundation, aims to boost the Art Gallery of the Foundation by performing exhibitions of works of national and international artists, as well as the introduction and promotion of new artists.

Moreover, the concern to contribute to encouraging reading and Portuguese Language promotion, leads the Bank to support one of the most respected Mozambican writers, Mia Couto, in his trilogy "As Areias do Imperador (The Sands of the Emperor)" in 2016 as the release of the second volume "A Espada e a Azagaia (The Sword and the Javelin)".

Partnership with Lusomundo

In the month of Christmas festivities, Millennium bim partnered with Lusomundo to provide a different day to more than 200 children from the Casa do Gaiato e da Comunidade Sant' Egídeo who had never had an opportunity to go to the movies. It was in an atmosphere of great fun, joy and lots of party that these children watched a 3D movie.

Community Intervention

Construction of Fountains

The populations of the towns of Muxungue and Guvuro, in the provinces of Sofala and Inhambane, respectively, have now 2 fountains that will ensure their access to drinking water. This was an initiative of the Millennium bim who identified this need when the branches were built in these locations, reinforcing its commitment to develop its activity contributing to the local social development. The fountains will serve more than 700 families, in each of the regions, significantly improving their living conditions, as they were previously required to travel long distances so to have access to drinking water.

Environment

Millennium bim has supported and developed projects that work for raising the awareness of local communities regarding environmental problems, and implemented projects whose purpose is to preserve the environment and improve the quality of life of people.

Garbage Bins

Millennium bim joined ISARC - Instituto Superior de Arts e Cultura (High Education Institute of Arts and Culture) to develop a project of decoration and painting of garbage bins to place in busy areas of Maputo. The bins were decorated with oil paintings depicting different themes such as fauna, citizenship, urbanism and capulana.

Students of the third year of the Visual Arts course, could therefore come into contact with different materials and cultural projects with impact on society, enriching their learning and artistic background. This initiative was based on last year's project in which FEIMA - Craft, Flowers and Gastronomy Fair of Maputo received 18 bins painted by various artists.

This project aims to instil in the community in general, notions of environmental responsibility, giving prominence to the garbage bin as a key instrument for the preservation of the environment, in addition to contributing to a cleaner city, with more colour and with the Mozambican culture to decorate its streets.

Christmas Tree

For the first time, the province of Beira received an eco-Christmas tree built with 3,000 plastic bottles.

In the scope of the project "A Clean City for Me - Recycle and Win" and in coordination with AMOR - Mozambican Recycling Association, students from 10 high schools in the city of Beira participated in this initiative. The aim is to sensitise the school community and the youngest for cleaning and recycling waste.

Voluntary work

The corporate volunteering project encourages Collaborators and families to participate in actions of social and community interest, implementing projects that covered institutions wish to execute, but for which they don't have human and financial resources.

Responsible Millennium bim - Corporate Voluntary Action

In 2016, three actions took place:

- Collaborators of Millennium bim and Ímpar support victims of drought

  Collaborators of Millennium bim and Ímpar promoted a national campaign aiming at raising essential needs goods to support local communities affected by the drought, which hit the southern region of the country. The delivery of goods made to the National Institute of Disaster Management (INGC) counted on more than 9 tons of essential food products, such as beans, rice, flour, sugar, and several clothing and footwear. Furthermore, 8 bicycles were also given in order to help the Local Disaster Management Committee monitor local communities.

- Cidadela das Crianças School, of ADPP - Ajuda de Desenvolvimento de Povo para Povo (Development Aid from People to People) – Maputo

  The extracurricular activities project for students of the Cidadela das Crianças School had the support of Millennium bim for the last 3 years where 2 Sewing and Carpentry workshops were created. This project aimed to improve the vocational training activity provided by this institution, create the conditions necessary for children to learn a trade, thereby encouraging entrepreneurship and also create an offer of services to the community in order to raise the necessary value to the running costs of the workshops. In order to continue to carry out extracurricular activities projects, 30 Collaborators of the Bank spent a day at the Cidadela das Crianças School, working with students and teachers in the definition of an appropriate strategy to make the workshops a sustainable project. Thus, under the guidance of the ICEM – Institute for Capacity Building and Entrepreneurship in Mozambique, students and teachers attended a workshop, where with the help of 30 Volunteers, they learned how to plan, organise and execute a sales plan applied to their reality.

- Escola Primária Unidade 25 - Maputo

  There were more than 30 Collaborators that in one more corporate volunteering action, created a new library with about 250 books given by HELPO Association for students of a primary school in Maputo. Transforming a dilapidated building into a space suitable for receiving a library was the great challenge of these volunteers: they changed ceiling, improved electrical system, replaced broken glass, treated wood, painted walls and, outside, the flower beds protections were painted and new trash bins were installed. The 2,000 students who attend the Escola Unidade 25 benefit now from an adequate space for reading.

- Nampula Provincial Nursery - Nampula

  In partnership with HELPO Association, 20 Collaborators of Millennium bim in Nampula and their families developed various activities together with children and youngsters living in Nampula Provincial Nursery, including nutrition, wall painting classes and sports. It was a rewarding day, of great fun.

- Inhambane Provincial Hospital - Inhambane

  The 25 Collaborators, who participated in voluntary action in Inhambane got on with work and together performed a set of work to support the rehabilitation of the paediatric service of the Inhambane Provincial Hospital. The initiative aims to improve the living conditions of children who pass through this service, and the Collaborators of the Bank assumed part of the execution of the works of painting, cleaning and organisation of all medical equipment and furniture from the treatment room, medical office, infectious diseases room, bathrooms and garden of paediatrics service. At the end of the work there was still time for a moment of social interaction in which Collaborators and children of the paediatrics unit played and made a Christmas tree.

Activity of Millennium bim in 2016

Employees

The excellent performance of the Millennium bim is based first and foremost on its employees. In this sense, the Human Resources Management activities of 2016 focused on the consolidation of three pillars: (i) Talent Recruitment and Retention; (ii) Collaborator Training and Development; and (iii) Improvement of the performance assessment system.

Demographic Characterisation

In 2016, there was a 1.8% increase in Millennium bim staff, going from 2,505 to 2,551 collaborators. Notwithstanding the increase in the number of Collaborators, compared to 2015, in 2016 the Division of Collaborators for Central Services and Commercial Network remains the same, 33% and 67%, respectively. The same is true at the level of distribution of Collaborators by gender, such as in 2015, Millennium bim has been presenting a balanced gender structure, with a percentage of female collaborators (52%) slightly higher than male collaborators (48%). It should be noted that the female gender is predominant within the Commercial Network (58%), compared to Central Services (41%).

Attraction, Retention and Talent

Considering the uncertainty of the economic and social context experienced throughout 2016, Millennium bim has adopted a very proactive stance but, at the same time, cared for as we try to balance leverage initiatives of talent within the Institution, with the attraction of new talent to meet the capabilities necessary for sustainable development of the Bank.

In the first group of initiatives, more internally focused within BIM, that is towards retention and development of talent, great part of the effort was devoted to a survey of the status of the current career development model. In a first stage the analysis focused on network services of the commercial department, having been identified as one of the priorities, the need to identify the Collaborators prepared to take on higher functions (in their network) or similar (in other networks). For this purpose, the preparation of a model began - model which establishes clear criteria for identification of such Collaborators, as well as the possible career paths.

It's also worth mentioning the revitalisation of internal mobility programme called “Opportunities Internship”. This programme promotes internal mobility of collaborators, thus fostering the development of their careers, exchange of experience and gain of new knowledge. Twenty eight of the 36 vacancies published in this area were filled. In 2016, 78% of the vacancies were filled using Opportunities Internship.

In the second group of activities, more oriented towards attracting new talent, the recruitment model was enhanced, becoming more demanding and more transparent. To this end we started to have our own electronic recruitment management platform and to make extensive use of business social networks to find the talents that do make a difference. Finally international partnerships have been developed for the recruitment of Mozambican youngsters and recent graduates abroad.

At last, in order to improve the quality of applications, but also in order to attract the most suitable candidates to the organizational culture of Millennium bim, a recruitment platform was launched - a database of Candidates fed by recommendations made by the Collaborators. Twenty six vacancies were filled through this system of recommendations.

Training

The number of Collaborators covered by training actions throughout 2016 exceeded all previous years, 2,047 employees were trained in 56,511 training hours. These figures were only possible through the increasing bet on the model of e-learning training.

Still under training, in 2016 the Human Resources Board (HRB) adopted a leadership approach based on a strong focus on developing individual leadership skills of managers. In this context it is worth highlighting the three initiatives: (i) the Commercial Leadership Programme “Mais Corporate” oriented to the Board of Corporate Sul, in the second quarter of 2016; (ii) the Programme of Development of Trade Skills and Leadership developed for the Retail Coordination/Commercial Directors, between October 10 and 22; (iii) the Programme LEAD (Lead High Performance Teams) oriented to Team Coordinators.

Performance assessment system

Taking into account the need to ensure a continuous and growing strength of the Individual Performance Assessment System (SAID) of Millennium bim, amendments have been made to enter into force as early as 2016 evaluation cycle. In this regard it is pertinent to point out: i) enlargement of the evaluation scale 3 to 5 levels; ii) establishment of a minimum weight of 50% of the objectives for all functions; iii) alignment of objectives for each of the commercial functions; and iv) “Calibration Meetings” aimed at standardisation of evaluation criteria through a comparative analysis, performed in groups divided by hierarchical levels (E.C., first person in charge, second person in charge).

The improvement of the evaluation method makes the SAID more useful for the management and development of Collaborators, reduces the arbitrariness in the interpretation and application of evaluation criteria and facilitates the deepening of the culture of personal accountability for the development of their careers.

Review of the business areas

The strategic plan for 2016 aimed at reinforcing the Bank's leadership in the segments in which it operates, based on the continuous improvement of the quality of service, in order to grow the Customer base in the Bank network, and the expansion of channels, in order to be closer to the Customers.

Similarly, the Millennium bim kept the focus on the increase of financial inclusion and economic development of Mozambique, through the partnership with the Correios de Moçambique, consisting of network expansion by opening joint branches, and branches of Millennium bim in facilities of the Mozambique Post Office, bringing us closer to our Customers in various districts.

Business Segments

In 2016, new criteria of segmentation for private and corporate customers was adopted. At the same time, the network of Prestige branches of the Corporate Branches Network was created to, respectively, better serve the affluent Private Customers and Small and Medium-sized Enterprises.

In the Retail and Corporate networks an incentive system was introduced to reward, on a quarterly basis, the best commercial performances.

Retail Banking

In 2016, the Bank continued the commercial network expansion strategy with the opening of new branches, reaching 176 at the end of the year, with the number of customers having exceeded 1.5 million. In partnership with Mozambique Post Office 5 new branches were opened in Matutuíne, Muecate, Mocuba, Moma and Beira. A branch was also opened to the public in Machava, Av. das Indústrias. Since retail banking is a strong business component of Millennium bim, the strategy of opening new branches across the country is an important factor to promote the approach between the Bank and populations that do not participate in the banking sector, to reinforce proximity and to relieve congestion at existing branches.

At the same time, more branches were selected to open on Saturdays, totalling 52. The opening hours difference between Branches was also updated. And the network of authorized agents “Millennium bim Jájá” ended the year with more than 120 agents, covering most of the districts of the country.

Prestige and Corporate

In 2016, the Prestige Network was divided, as the Corporate Network was launched, serving both the Private Customers *affluent* and Business Customers, respectively, in each Network. The high number of new customers gained in 2016, as well as the growth in business from existing Customers let us know for sure that we are moving in the right direction and encourages us to seek out new and better forms of satisfaction and retention of customers on these segments.

The Prestige and Corporate Networks emphasize not only a personalised service with dedicated Customers Managers, but also a series of distinctive advantages that include debit and credit cards, an insurance offer, internet banking and mobile solutions.

Corporate

During 2016, the Bank reorganised the Corporate network, that is now present in the cities of Maputo, Beira, Nampula and Nacala.

This continuous reorganisation, also aims to ensure a more appropriate distribution of the Customer portfolios by the managers to ensure their specialisation by business sectors, as well as to allow managers to have more time to focus on commercial activity, therefore, allowing them an increased number of visits to Customers.

During the year now ended, the Corporate sales teams played an important role in detecting and raising transactions related to some of the most important projects in the country, which allowed for the Bank to be positioned as a key financial partner in the context of large companies in Mozambique.

Innovation, Products and Campaigns

The launch of a new credit card, + Mola, directed to Private Customers in the mass market segment was promoted with the allocation of tickets for the AZGO Festival, of which the Millennium bim is sponsor.

Multi-media advertising campaigns about products such as the + Mola credit card and the APP for SmartPhones, Smart IZI, together with the dissemination of an institutional campaign marked 2016. The latter, was a positioning campaign, which reflected not only the Bank's commitment but the values that are inherent in it – Proximity, Innovation, Dynamism – all of them expressed in a new brand signature: “Aqui consigo”.

In a challenging macro-economic context, Millennium bim intended to reaffirm its market presence as commercial bank reference in Mozambique, taking advantage of the double meaning of the expression “Aqui consigo”.

- “Aqui consigo”, in the sense of proximity and partnership of the Bank with its customers, along their life cycle
- “Aqui consigo”, in the sense of efficient delivery of solutions and financial services that the Bank offers to its customers

The campaign sought, in an emotional tone, inspiring but realistic, to encourage the Country and all our customers and potential customers to engage to overcome difficulties, conveying a message that, with strictness, hard work and dedication one can achieve their goals. And that in this context and with this attitude, Millennium bim will be present in the support and implementation of these goals. Always with the professionalism and dedication which characterise our managers.

This new positioning and update of advertising communication and merchandising layouts, arise as a result of a market survey conducted in early 2016.

2016 was also the year in which the Bank created its page on Facebook, the most popular social network in the world and which is estimated to have more than 1 million users in Mozambique.

The aim is to share relevant content generated by the Bank activity through this social network. The growth of the community of the page follower fans was impressive and, in a few months, reached more than 114,000 fans.

On July 5, the first branch of the exclusive partnership between the Bank and Correios de Moçambique was opened by the President of the Republic to, as a complement to the distribution of postal services, offering banking products and services in its branches, with the objective of promoting the banking uptake and financial inclusion of the population through the integration of branches or implementation of banking agents. At the same time, this partnership will contribute to the requalification of real estate of Correios de Moçambique.

On the same occasion the APP for account opening was launched using digital signature via a *tablet*. This paperless solution enables greater flexibility to the commercial network by attracting new customers, in particular outside the branches.

For long term investments the term deposits “Anniversary”, “"with anticipated interest rates”, “Welcome” were introduced for new customers in new branches, “POS Profitability Account”, for those who hold a POS of the Bank and, for the Private Customers *affluent* segment, the Prestige Value and Monthly Income. For this segment, the Personal Credit Prestige was also introduced.

For the presentation of the M Leader, a programme that seeks to recognise Excellence SMEs of Mozambique, providing better conditions in adherence to the Bank's products and services, the event “Millennium Business” was held in Beira, gathering entrepreneurs and business representatives.

A partnership was established with the FSD Moç (Financial Sector Deepening) that aims to contribute to the development of the market, promoting financial inclusion of the populations and support for SME.

The offer of products and services to the miners of South Africa was revisited, as well as the offer for pensioners. An alerts management service was launched, which allows Customers to customise the sending of alerts by email and/or SMS related to debit or credit transactions from their checking account.

Electronic Banking

In order to improve the financial services provided to its Customers the Bank also offers 478 ATMs and 8,103 POS.

Millennium bim was, in 2016, once again distinguished by its performance in the banking sector, having won an award in the category “Efficiency”, in the VISA Global Service Quality Awards. This VISA International award represents a recognition of the Bank's performance in strategic areas of activity and in the implementation and management of debit and credit cards.

This prize was awarded on the basis of a careful review, that takes into account performance and management indicators such as efficiency, growth and levels of satisfaction of Customers holders of Visa cards. Millennium bim was the first and is the only financial institution in Mozambique to be certified by the PCI-SSC (Payment Card Industry – Security Standards Council) for its security system with regard to the use of credit cards by its Customers.

Millennium bim was also considered Best Bank by the magazine *Emea Finance* and as the best Bank in Mozambique to provide *Trade Finance* solutions, by the magazine *Global Finance*.

Following its innovation strategy, during 2016, the Bank undertook various activities of IT development in the area of digital banking, including internet and mobile banking solutions.

The Bank launched a new version of the Private, Business and Institutional websites. Intuitive, functional and fast, these are the features of this new version of the Millennium bim websites, allowing a simpler navigation.

The new website has many new features, such as a new menu structure arranged according to the transaction category, which open when the mouse is over them in a more intuitive and accessible fashion to users, customisation of quick access to the most used transactions by the Customers and direct access to Financial Assets. In addition to these changes, the new website also offers a more Mozambican look, with the capulana pattern as a differentiator detail.

Customers now benefit from a main page of Internet Banking with information about messages, upcoming payments, assets and an area for posting new content and news, and each client can customise their main account according to their most frequent transactions and actions.

Throughout the year of 2016 new features were also implemented, namely: payment of INSS, TV top-ups, introduction of the master account concept, search engine, request for credit cards and advance payments/additional credit cards, on the Corporate site.

Regarding mobile banking, the APP for smartphones, Smart IZI, was launched for Android and iOS. Such as in Millennium IZI, the Customer can conveniently perform a set of daily transactions from purchasing top-ups, Credelec, TV bundle payment, transfers, amongst others.

Operations and Information Systems

During 2016, Millennium bim continued to investment in technology initiatives aiming at optimising internal processes that result in a provision of Customer Service increasingly better and faster. These are essential factors in the pursuit of a service of excellence, in line with the best and latest information technology practices. Of the various aspects developed this year, we focus on:

- **PCI/DSS Project.** Created by Visa, Mastercard, Discover and American Express, the PCI/DSS (Payment Card Industry Data Securiytu Standard) is a set of standardised rules, standards and procedures with a view to optimising the security of trnsactions with cards, and protecting the card holders against fraudulent use. Millennium bim obtained certification again, being the only financial institution in Mozambique certified, and one of only 16 in the entire African continent.

- Implementation of improvements in ***workflow* of credit**, in particular in the authorization flow, optimizing the circuit of validation and approval of credit, with impact on both credit decision and in the speed of its disbursement.
- Process optimization and standardization of procedures with a view to more effective **collateral management**.
- Improvements in the **account opening process**, introducing not only the ability of opening account through *tablets*, streamlining the commercial ventures of capturing Customers, such as strengthening the internal control on account opening workflow.

Seguradora Internacional de Moçambique

In 2016, the premium income of Seguradora Internacional de Moçambique was 1,963.1 million Meticais, which represents an increase of 8.9% compared with the previous year of 2015, where a volume of premium income registered was 1,803.7 million Meticais.

This positive evolution of processed income, had the fundamental contribution of the Fire sector with an increase of 121.8%, due to the positive impact of large business; the Automobile sector with a growth of approximately 13.3%, influenced by a strategic positioning of this insurer, in view of the increased competitiveness of such product on the market, thus allowing attracting new business; we also enhanced Civil Responsibility sector which grew 68.5% driven by attracting large business in the 1st semester of 2016 and the Maritime sector with 58.0% growth.

In the analysis by segment, Non-life stands out, which increases by 9.15%, as a result of the solid performance of the Real branches mentioned in the previous paragraph. The Life segment presented growth of 7.92%.

The net result of the Seguradora Internacional de Moçambique was 2,102.0 million Meticais, an increase of 295.2% compared to the same period in 2015, justified basically by revenue growth in Real branches, driven by large business, investment profitability and also non-recurring gains from real estate revaluation. Excluding the gain resulting from real estate revaluation, the result of the Seguradora Internacional de Moçambique grows sustainably by 22.7% compared with the same period of the previous year and 12.2% over budget.

Continuing with technological innovation and to improve our customer and business partners service levels, we implemented in 2016, the Document Management System, which allowed the removal of papers in the interdepartmental circuit and functional management.

Still in 2016, with the support of our international partners we conducted the first commercial strategy meeting which resulted in the definition of an action plan for the next three years.

With respect to communication, dissemination and promotion of the image of the Insurance company, advertising and marketing campaigns were strengthened. In this context, we published the Caminhada Impar (Unique Walk); we also continue, in partnership with Millennium bim, to participate in the Millennium BIM Race. We renewed our offer to clients with the launch of a new product Housing Multirisk; and restructured the products of the two sectors, Life and the Automobile I-Auto. These actions have generated greater dynamism and growth in sales as well as a significant impact with our strategic partners in the business.

Once again, in an adverse economic environment the country experienced, and as a result of a clear and ambitious strategy, allied to the commitment and total dedication of the company's collaborators, we were able to maintain high economic growth and sustainable financial ratios, thus allowing, for the third consecutive year, the Seguradora Internacional de Moçambique to be awarded with AA- rating, the highest ever awarded to an insurance company in Mozambique, by the prestigious agency Global Credit Ratings ("GCR").

Risk management

The Risk Management System of Millennium bim continued to be reinforced and consolidated, both regarding the mechanisms of control and monitoring of the diverse risks affecting the activities developed, as well as regarding their measurement and assessment.

In sum, the main activities developed and most relevant interventions in the area of Risk Management in 2016, as well as various relevant accomplishments towards the reinforcement and improvement of the Risk Management System of Millennium bim, were:

i. Reinforcement of the Governance of risk management, through adjustments to the respective model and incorporation of the Monitoring Committee of Credit at Risk;

ii. Approval of the RAS (*Risk Appetite Statement*) of the Bank – a set of risk indicators with risk levels that should not be exceed/reach was defined, which reflect the "Risk Appetite" of Millennium bim and implementation of their respective metrics;

iii. Definition and implementation of the Internal Capital Adequacy Assessment Process - ICAAP/Pillar II of Basel), involving the stress tests in the light of Circular No. 2/SCO/2013 of Notification No. 20/GBM/2013 of December 31 of Banco de Moçambique and annual report of the same to the supervision entity;

iv. Preparation of various regulatory reports, highlighting the following:

   a. Report on Concentration Risk (Individual and Sectoral), which includes not only the results but also the detail of the methodologies adopted by the Bank for identification, measurement, control and monitoring of such risk, in the light of Note No. 3/SCO/2013 of Notification No. 20/GBM/2013 of December 31 of Banco de Moçambique;

   b. Report on Interest Rate Risk in the Banking Portfolio, in the light of Note No. 4/SCO/2013 of Notification No. 20/GBM/2013 of December 31 of Banco de Moçambique;

   c. Reports on stress tests - sensitivity analysis and stress tests - analysis of scenarios, which include not only the results but also the detail of the methodologies adopted by the Bank for the calculation of such stress tests, in the light of Note No. 5/SCO/2013 of Notification No. 20/GBM/2013 of December 31 of Banco de Moçambique;

   d. Report on Market Discipline in compliance with Notification 19/GBM/2013 of December 31. In May and August 2016 the Bank published its third and fourth report on Market Discipline, ref. to December 2015 and June 2016;

v. Completion of the process of data validation between the Information Management System that feeds the new impairment model (KIWI) with IDW and the accounting system (GL) of the Bank, aiming at reconciliation of the same prior to the entry into production of the application scheduled for January 2017.

vi. Completion of reformulation projects of the internal models (Workflows) for the Management of Economic Groups and Warning Signs (EWS). The model EWS integrates a robust component for registration of proposals for proactive actions to prevent further or worsening of non-compliance, based on Incidences of Risk (IR) that materialize in Warning

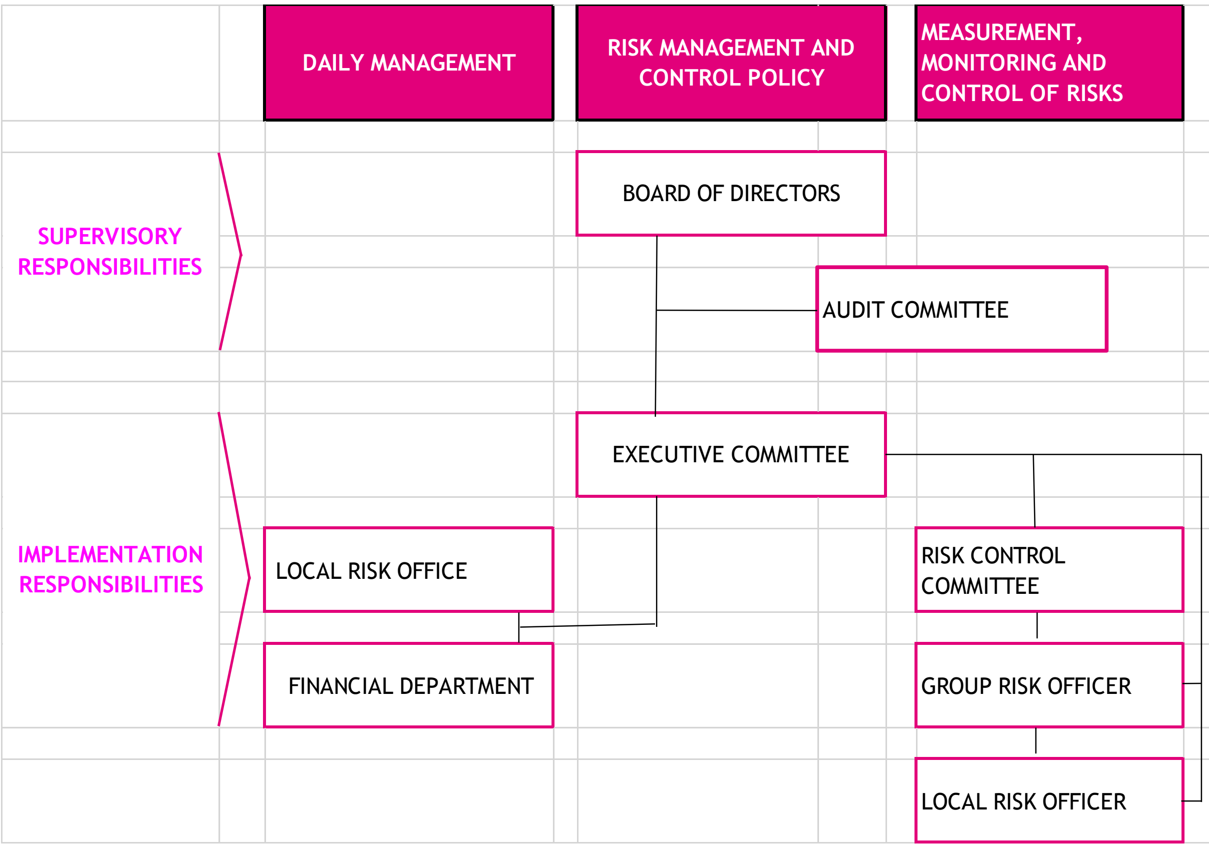
Levels (WL) and its Action Plans (AP) to minimize the risk involved in the relations of conduct and credit between the Bank and its customers;

vii. Completion of the analysis of project dossiers for the implementation of the new Rating Model for businesses;

viii. Launch of the redesign project of KRI (Key Risk Indicators) for evaluating the performance of different business processes of the Bank in order to adjust them to the current market development stage and the current situation of the Bank;

RISK MANAGEMENT GOVERNANCE MODEL OF MILLENNIUM BIM

The governance of risk management is composed of various bodies, as illustrated in the diagram below:



In addition to the Board of Directors and Executive Committee, the competence and duties of the bodies intervening in risk management governance - management or internal supervision - are the following:

AUDIT BOARD (CAud)

The CAud is composed of three permanent and non-executive members of the Board of Directors, being responsible for matters of monitoring and supervision of the Bank's management, in addition to the follow-up of the qualitative measures to improve the internal control systems, as well as ensuring the independence of the Statutory Auditor and issuing recommendations on the contracting of external auditors.

It is also responsible for the reception of any notifications of irregularities presented by the Shareholders, Employees or other Stakeholders, assuring their follow-up by the Internal Audit Department.

RISK CONTROL COMMITTEE

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

This Committee includes the members of the Executive Committee, the Group & Local Risk Officer and the heads of the following departments: Internal Audit; Financial and Trading Room and Corporate Centre.

CREDIT AT RISK MONITORING COMMITTEE

It's role, as the name implies, is to follow the evolution of credit accounts with warning signs, the evolution of the impairment of these operations and proactively set recovery strategies.

This Committee is composed of all members of the Executive Committee and Heads of the following divisions: Credit, Risk Office, Credit Recovery, Operations, Investment Banking and Corporate Centre.

RISK OFFICER

The Risk Officer's role is to ensure the monitoring and alignment of concepts, practices and objectives transversally, inform the Risk Control Committee of the Bank of the general risk level and propose measures to improve the control environment and implement the approved limits.

Economic capital

The Internal Capital Adequacy Assessment Process is a key component of risk management of the Bank and consists of an exercise performed to identify the necessary capital for the Bank to adequately cover the risks involved in the development of its current business strategy and designed for the medium term.

The Bank has adopted a methodology based on stress tests tools and their impact on regulatory capital ratios, aligning, in this field, with the trends in the banking sector, in the light of the standards established by the Supervisor.

The ICAAP is equipped with an Internal Governance Model that ensures the involvement of CA and its CE, Risk Control Committee and Audit Committee, in the various stages of the process.

In view of the nature of Millennium bim's core business in the market in which it operates (Commercial Banking), the main risks to be considered within ICAAP are contained in the table below, which includes the amount of risks considered material in each type of risk:

Risk Designation	Quantity of Identified Material Risks
Credit Risk	5
Liquidity Risk	3
Market Risk	5
Operating Risk	6
Business Risk	5
Compliance risk	4
Reputational Risk	2

These risks are modelled or incorporated within the framework of the stress test methodology of the Bank, producing estimated impacts on capital levels, either through the impact on operating results or through changes in the levels of risk-adjusted assets (RWA).

The results of the ICAAP are tested considering the limits to the regulatory capital ratios approved by the CA in connection with the RAS ("*Risk Appetite Statement*"). The exercise of ICAAP of 2016 has shown that the Bank's current capitalization levels are suitable for 3 years, either in the base scenario or in stress scenario.

Validation of models

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

During 2016 the Bank concluded:

(i) the process of analysis of project dossiers for the development of the new Rating Model for businesses, adjusted to the reality of the Mozambican market including the identification of the outsourcing entity responsible for implementation;

(ii) the process of data validation between the Information Management System that feeds the new impairment model (KIWI) with IDW and the accounting system (GL) of the Bank, aiming at reconciliation of the same prior to the entry into production of the application scheduled for January 2017.

(iii) the reformulation projects of the internal models (Workflows) for the Management of Economic Groups and Warning Signs (EWS).

Credit risk

The materialisation of this risk arises from the losses occurred in the loan portfolio, due to the incapacity of borrowers (or their guarantors, when applicable), issuers of securities or contractual counterparts to comply with their credit obligations.

This type of risk, which is very relevant and highly representative in terms of the Bank's overall exposure to risk, is particularly frequent under adverse macroeconomic conditions (such as has been experienced in Mozambique), implying financial difficulties for households and companies.

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

During 2016, particular note should be made of the following activities that were developed to strengthen the practices of credit risk assessment, monitoring and control, in the different segments of the portfolio:

i. The continuous improvement of the reports of the Monitoring Committee and the Audit Committee;

ii. Consolidation of the process of calculation of (sectorial and individual) concentration indices;

iii. The consolidation of the Credit at Risk Monitoring Committee (CACR). Customers analysed in the CACR result from the list of customers with warning levels Reduce and Demobilize of the Bank's EWS model, considering the materiality of the situations presented.

iv. The continuation of training on impairment of credit in all commercial structure of the Bank.

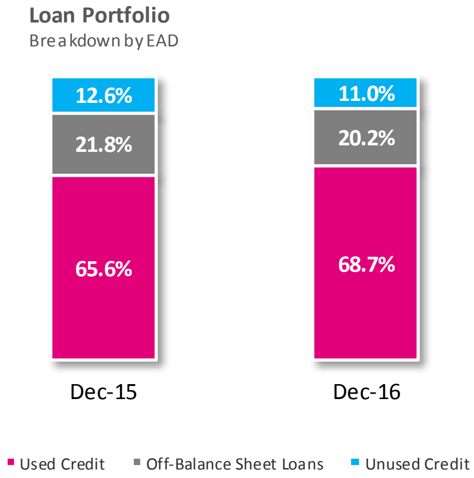
v. The completion of the process of IDW reconciliation, in order to improve the process of gathering information for the calculation of losses for Bank's Credit Impairment through the KIWI Model.

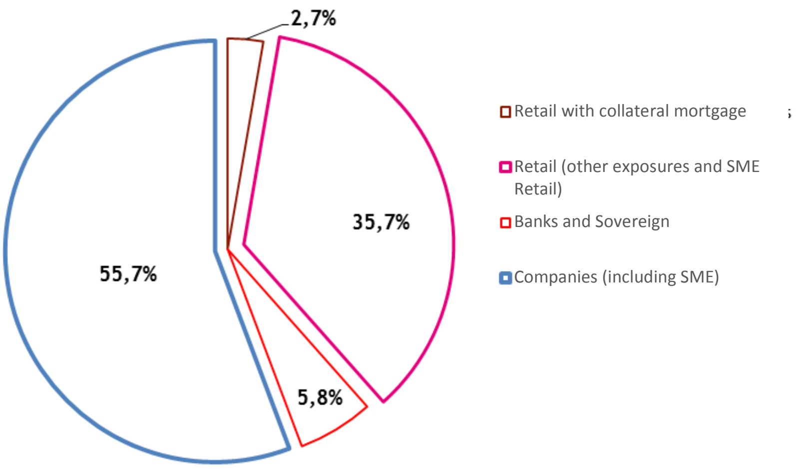
vi. The implementation of new Parameters of Default Probability of the Bank's Credit Portfolio to feed the Model for Calculating Bank's Credit Impairment;

Evolution and composition of the loan portfolio

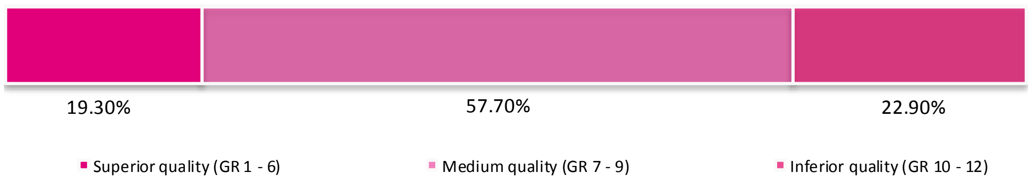
The structure of Millennium bim credit portfolio in late December 2016, in nominal and global terms (i.e. looking at the figures in balance sheet and off-balance sheet) as illustrated below registered a significant increase for which decisively exchange rate variations and the natural increase of Credit Stock contributed, as a result of new operations that were appearing, reflecting growth, although quite moderate, of the business in view of the portfolio of December 2015.

Breakdown of the Bank's loan portfolio as at 31 December 2015 by segments of exposure and in terms of EAD (Exposure at Default):





Distribution of exposures by risk quality, measured by internally attributed risk degrees (Master Scale):



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

MAIN INDICATORS OF CREDIT RISK

The table below illustrates the quarterly evolution of the main credit risk indicators over 2016, for the loan portfolio of BIM.

	dez/14	mar/15	jun/15	set/15	dez/15
Exposure of overdue loans > 90 days / Total exposure	3.1%	3.5%	4.8%	4.7%	4.7%
NPL > 90 days / EAD	3.2%	3.3%	4.1%	4.9%	4.7%
Impairment / Total loans	5.3%	5.5%	5.8%	6.0%	6.0%

NPL = Non performing loans

EAD = Exposure at Default

There was a deterioration of the quality of the loan portfolio risk as a result of the unfavourable macroeconomic environment recorded in 2016, characterised by a sharp depreciation of the metical relative to the US dollar, an increase in market interest rates, a build up of inflationary pressure and a slowdown in economic activity with a negative impact on the activity of companies and on employment.

Credit concentration risk

On December 31, 2016, the weight of the 20 largest net exposures, without considering Banks and Sovereigns, on total exposure (in terms of EAD) was 49.8%.

Millennium bim does not have, in its portfolio, ref. December 31, 2016, Customers who exceeded limits, to the extent that those customers who present exposures over 25% of the Bank's Own Funds have materially relevant and legally binding counter-guarantees in all relevant legal systems of the

Republic of Mozambique and that reduce the risk tolerance levels prudentially accepted and defined by the Banco de Moçambique.

With regard to the risks of concentration by sector of activity, by geographic region and by currency, liquid exposures cleared on December 31, 2016 fit within the limits of risk tolerance set by the Management Board of the Bank.

Operating risk

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

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

Operating risk management structure

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

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

Operating risk self-assessment (RSA)

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

i. Assessment of risk inherent to the different processes, which does not consider the influence of existing controls (Inherent Risk);

ii. Determination of the influence of the installed control environment in reducing the level of exposure (Residual Risk);

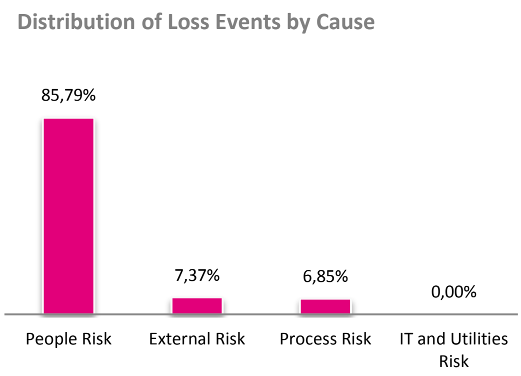
iii. Identification of the impact of the opportunities for improvement in the reduction of the most significant exposures (Target Risk).

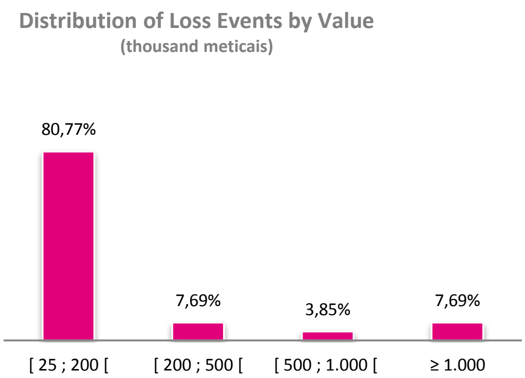
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the Process Owners and Process Managers, or through answers to questionnaires sent to the Process Owners, for review of the results of previous RSA, according to predefined updating criteria.

Capture of operating losses

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

The profile of accumulated losses from January to December 2016 is presented in the following figures, being significantly influenced by relevant material loss events, related to the risk of internal and external fraud, followed by procedural flaws and a large proportion of operational loss events showed low materiality MZN 25,000 - MZN 200,000.00):





Key risk indicators (KRI)

Key Risk Indicators (KRI) draw attention to possible changes in the profile of operating risks or efficacy of their control, enabling identification of the need to introduce corrective action in processes, so as to prevent potential risk from materialising into effective losses. In 2016, the risk management bodies approved:

i. Launch the redesign project of KRI (Key Risk Indicators) for evaluating the performance of different business processes of the Bank in order to adjust them to the current market development stage and the current situation of the Bank.

ii. Review the Warning and Alarm Limits adjusted to the current situation of each process, considering the historical evolution of the corresponding indicator.

The completion of this process is scheduled for June 2017.

Business continuity management

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

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

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

In 2016, 14 business recovery and 3 technological recovery exercises were carried out.

Insurance contracting

The taking out of insurance for risks related to assets, persons or third party liability is another important instrument in the management of operating risk. Thge Insurance Management Unit addresses and analyses the Bank’s insurance information for the purpose of strengthening policy coverage, with a view to mitigating the main operating risks incurred by the Bank.

Market risk

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

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

Interest Rate Gap for the Balance Sheet (USD) **Unit: MZN '000**

December-16

31 December 2016	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Written-off					
Cash and deposits at Banco de Moçambique	1,317,083	0	0	0	0
Loans and advances to other credit institutions	1,108,573	0	0	0	0
Deposits in banks	9,068,697	423,012	570,115	0	0
Loans to customers (*)	4,803,943	7,633,835	6,491,905	0	0
Financial assets available for sale	0	0	0	0	0
Other assets	0	0	0	0	0
Total Assets	**16,298,296**	**8,056,847**	**7,062,020**	**0**	**0**
Liabilities					
Deposits from other credit institutions	7,438,801	0	0	0	0
Customer Deposits	6,362,306	5,699,362	7,035,948	7,948,960	0
Debt securities issued	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Other liabilities	1,504,483	5,582,109	198,795	0	0
Total Liabilities	**15,305,590**	**11,281,471**	**7,234,743**	**7,948,960**	**0**
Total Liabilities and Equity	**15,305,590**	**11,281,471**	**7,234,743**	**7,948,960**	**0**
Interest rate gap	**992,706**	**(3,224,624)**	**(172,723)**	**(7,948,960)**	**0**
Accumulated interest rate gap	**992,706**	**(2,231,918)**	**(2,404,641)**	**(10,353,601)**	**(10,353,601)**
Accumulated sensitivity (200 bp)	**19,259**	**(17,046)**	**9,979**		

31 December 2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total Assets	**5,550,456**	**7,974,093**	**8,006,767**	**91,800**	**0**
Total Liabilities	**6,296,193**	**4,309,524**	**5,412,873**	**7,501,648**	**0**
Interest rate gap	**(745,736)**	**3,664,570**	**2,593,894**	**(7,409,848)**	**0**
Accumulated interest rate gap	**(745,736)**	**2,918,833**	**5,512,727**	**(1,897,121)**	**(1,897,121)**
Accumulated sensitivity (200 bp)	**(7,817)**	**53,259**	**88,026**		

(*) Net Loans

Interest rate risk in the banking book

The assessment of the interest rate risk derived from transactions of the banking portfolio is performed through a process of risk sensitivity analysis, carried out every month, for all operations included in the balance sheet reflecting the potential loss in economic value as a result of adverse changes to interest rates.

The table below illustrates the impacts on the shareholders' equity of the Bank as of December 31, 2016 and December 31, 2015, in value, as a result of shocks of +200 basis points in interest rates.

Sensitivity Analysis of the Interest Rate Risk in the Banking Portfolio (+200 basis points; thousands)

	31-12-2015	31-12-2016
MZN	517,904	581,789
USD	89,148	155,655

The variation of sensitivity in December 2016 in relation to values registered in December 2015, results from the temporary change of the above mentioned portfolio.

Foreign exchange risk

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

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

The results calculated as at 31 December 2016 show that the Bank is within the limits of tolerance to exchange rate risk, defined under the prudential rules established by Banco de Moçambique, both for any particular currency and for all currencies as a whole.

Liquidity risk

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

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

The Bank's current loan-to-deposit ratio depends largely on the Bank's funds, which continued to record a very favourable evolution of deposits in 2016 which, to a large extent, enabled financing the growth in the loan portfolio.

The measurement of Millennium bim's Liquidity Risk is made by the Risk Office, by calculating the indicators below, defined in the Manual of Principles and Risk Management Standards of Millennium bim, for which exposure limits are defined:

- Global Commercial and Currency Gap;

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

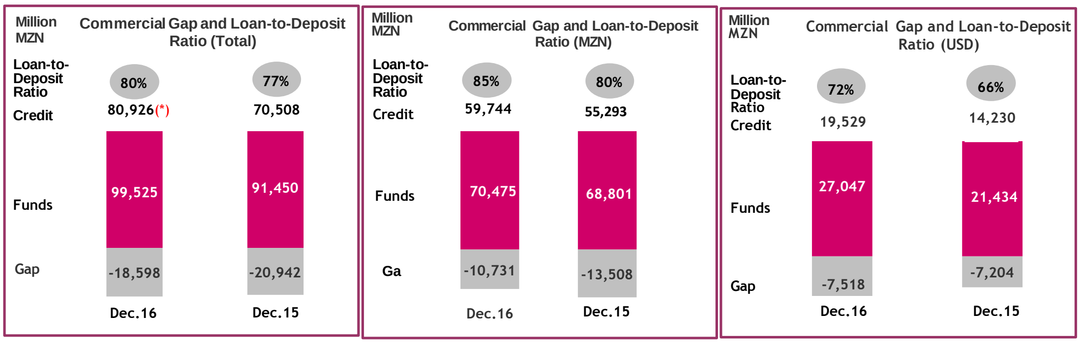
Control of Liquidity Risk

For short term time horizons (up to 3 months), the Bank's liquidity risk control is carried out regularly based on two internally defined indicators – the Immediate Liquidity Indicator and the Quarterly Liquidity Indicator – which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering cash flow projections for periods of 3 days and of 3 months, respectively.

These indicators, as of December 31, 2016, showed zero value in the Treasuries of the Bank, signifying surplus liquidity, both in immediate terms and at 3 months, reflecting the prudent management of the Treasuries towards this risk.

The Bank carries out the control of structural liquidity profile through regular monitoring of a set of indicators defined on both internally and in rules, which seek to characterise the risk of liquidity, such as the Ratio of Transformation of Deposits in Credit (80% in 31/12/16) and the gap's liquidity (Global Trade Gap and Per Currency).

The evolution of the Commercial Gap and Overall Loan-to-Deposit Ratio in the main currencies in which the Bank operates is reflected in the following charts for 31.12.16 and 31.12.15:



(*) The Gap is calculated based on Gross Credit and the Loan-to-deposit ratio based on Net Loans

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

As a result of the prudent strategy of growth of its assets supported by a prior increase of deposits, the Bank has managed to remain immune to the consequences, in terms of liquidity, caused by the current financial crisis.

On the other hand, as at 31 December 2016, the maturities of the main balance sheet headings were distributed as follows:

Global Liquidity Gap for the Balance Sheet

MZN '000

31 December 2016	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Asset					
Cash and deposits at Banco de Moçambique	9,493,607	3,975,216	6,624,799	68,271	0
Loans and advances to other credit institutions	5,144,217	0	0	0	0
Investements in credit institutions	10,003,699	423,012	570,115	0	0
Loans to customers **(*)**	17,462,231	6,363,914	8,262,226	11,986,535	34,124,243
Financial assets available for sale	5,603,488	5,758,982	4,500,000	0	0
Total Assets	**47,707,242**	**16,521,124**	**19,957,140**	**12,054,806**	**34,124,243**
Liabilities					
Deposits from other credit institutions	7,778,010	0	0	0	0
Customer deposits (includes other liabilities)	29,872,298	27,424,464	43,428,745	445,929	0
Debt securities issued	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Total Liabilities	**37,650,308**	**27,424,464**	**43,428,745**	**445,929**	**0**
Total Liabilities and Equity	**37,650,308**	**27,424,464**	**43,428,745**	**445,929**	**0**
Liquidity Gaps	**10,056,934**	**(10,903,340)**	**(23,471,605)**	**11,608,877**	**34,124,243**
Accumulated Liquidity Gap	**10,056,934**	**(846,406)**	**(24,318,011)**	**(12,709,134)**	**21,415,109**

31 December 2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total Assets	22,186,203	20,273,764	23,572,715	13,294,760	31,496,104
Total Liabilities and Equity	31,951,767	23,963,317	39,920,682	639,859	1,256,816
Liquidity Gaps	**(9,765,564)**	**(3,689,553)**	**(16,347,967)**	**12,654,901**	**30,239,289**
Accumulated Liquidity Gap	**(9,765,564)**	**(13,455,118)**	**(29,803,084)**	**(17,148,183)**	**13,091,105**

(*) Net Loans

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

The most recent study demonstrates that in all cases observed in non-parametric models, there continues to be considerable stability of the Bank's levels of retention of Demand Deposits. In addition, the new enforceability parameters relative to Term Deposits and Irrevocable Commitments were calculated and implemented with a view to allow the Credit Decision-making Bodies to use, with security and reasonability, the values corresponding to the percentage of Demand Deposits retained at the Bank for the management of the liquidity position.

Capital and Liquidity Contingency Plan

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

The PCCL defines, as an objective, the maintenance of a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at timely decision-taking in adverse scenarios, either anticipated or observed.

The PCCL includes an early warning system, designed to anticipate the occurrence of possible capital and liquidity crises, which combines 26 indicators related to liquidity, capital, quality of assets and other material risks to the Bank. Under this warning system, the quantification of this composite indicator is made quarterly, and its evolution is followed up by the Risk Office, Risk Control Committee and Audit Committee.

During 2015, technical and methodological conditions were created and were necessary for operation, in 2016, of the Contingency Plan of Capital and Liquidity adjusted to the reality and size of the Bank.

FINANCIAL REVIEW

Results and Balance Sheet

BIM – Banco Internacional de Moçambique, S.A., in conformity with the provisions in Notice number 04/GBM/2007 and supplementary provisions issued by Banco de Moçambique, presents the individual and consolidated financial statements relative to the financial years of 2015 and 2016, pursuant to the International Financial Reporting Standards (IFRS).

In a adverse macroeconomic context, the Bank remained focused on profitability, ensuring prudent liquidity levels. The consistency of the Bank's economic and financial indexes, assessed by asset profitability, robustness of its own funds and level of capital adequacy, reflect the Institution's financial resilience and strength.

The risks of external and domestic environment, particularly through the inflationary pressure resulting from the strong depreciation of the Metical led the Banco de Moçambique to intensify the restrictive policy that had begun at the end of 2015. Thus, during 2016 the regulator increased by 1350 points based on the key rates.

Total assets of the Bank reached 133,779.5 million Meticais, as at 31 December 2016, compared with 117,065.5 million Meticais as at 31 December 2015, supported by the growth of loans to customers and the increase in deposits and investments at credit institutions and in Banco de Moçambique.

Total customer funds grew to 100,686.6 million Meticais as at 31 December 2016, compared to 91,450.3 million Meticais as at 31 December 2015, benefiting from the good performance of the growth of customer deposits, which remained the main funding source of the activity.

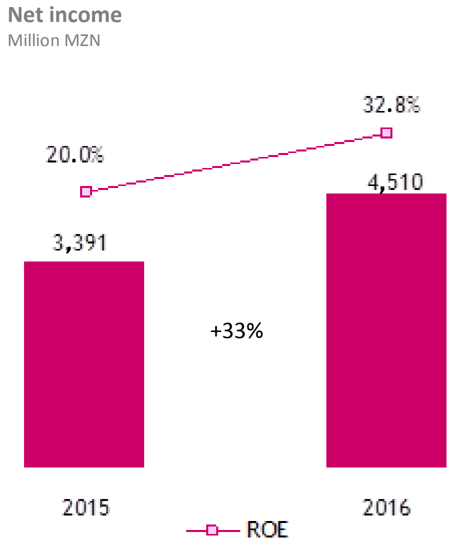
Net income was positive at 4,509.7 million Meticais in 2016 compared with the positive net income of 3,391.5 million Meticais recorded in 2015, representing a growth of 33% compared to the previous year.

Profitability Analysis

Net Income

Summarily, the performance of that registered in 2016 is the result of the following positive impacts:

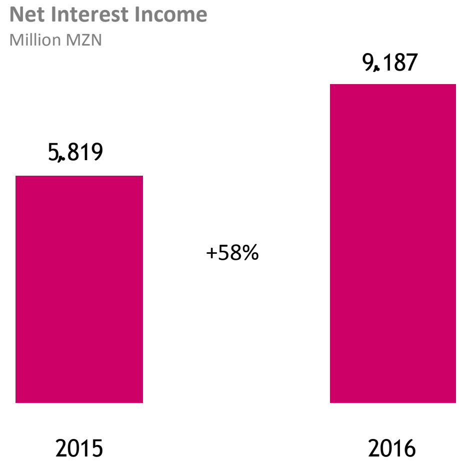
- The positive evolution of the financial margin was due to the strong impact of the improvement in profitability because of the rate, both on credit portfolio and financial assets, partially mitigated by an increase in the cost of deposits also reflecting increases arising from the restrictive monetary policy;
- The gains in financial operations remained generally in the high level observed in 2015, although there has been a lower volume of transactions due to the scarcity of USDs;
- The positive variation of the value of net commissions, in particular of the commissions associated to the loans and guarantees business and to the operations abroad.



Furthermore, the net income for 2016 also reflects the moderate increase in operating costs essentially leveraged on the exchange rate impact, in addition to increased loan impairments resulting from a prudent policy in response to the increase in credit risk.

Net Interest Income

Net interest income increased by 58%, reaching a total of 9,187.3 million Meticais in 2016, relative to 5,818.9 million Meticais recorded in 2015, derived by the positive effect of the volume of interest bearing assets, in particular the granted loans and the best financial asset profitability, due to rate effect, and increase in the cost of Deposits, as a result of the increase of market key rates.



In 2016, the Banco de Moçambique adopted strongly restrictive measures with successive increases of MFL (Marginal Lending Facility) reaching a variation of 1,350 pb, which boosted the rise in margin with increased focus on the last quarter of the year.

Still, the evolution of the financial margin also reflects the growth of the credit portfolio, however the Bank pursues a policy of careful selection of the operations to be financed, for strict control of credit risk.

On the other hand, in terms of funds, the fact that they continue to be the main source of funding to the banking activity, combined with the continuous market pressure on their attraction, led to a rise in the cost aggravated by the macroeconomic scenario at the end of the year.

Regarding the portfolio of financial assets, which mainly consists of securities issued by the Mozambican state, namely Treasury Bills and Bonds, the positive effect on net interest income in 2016 was due to the increase in the rate of return of these assets, also in the wake of the adoption of a restrictive monetary policy.

Other net income

Other net income reached 4,144.8 million Meticais in 2016, 0.3% above the amount recorded in the same period of 2015.

Other net income — Million MZN

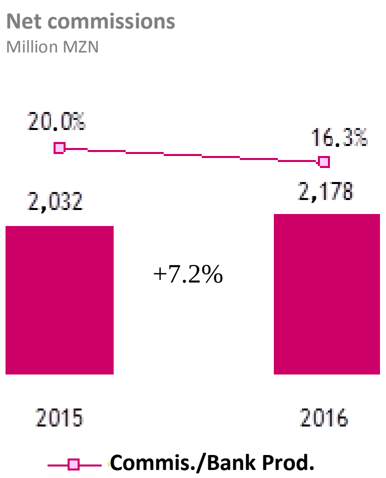
	Dec-16	Dec-15	Change 16/15
Income from equity instruments	**286.9**	**250.3**	**14.6%**
Net Commissions			
Cards	934.8	954.6	-2.1%
Credit and guarantees	579.1	515.3	12.4%
Foreign operations	376.1	270.5	39.0%
Other banking services	287.9	291.4	-1.2%
Total net commissions	**2,177.9**	**2,031.8**	**7.2%**
Net income from financial transactions	1,518.2	1,639.9	-7.4%
Other net operating income	161.7	212.1	-23.8%
Total other net income	**4,144.8**	**4,134.2**	**0.3%**
Other income / Operating Income	**31%**	**42%**	

Income from equity instruments

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

Net commissions

In 2016, the net commissions reached 2,177.9 million Meticais, an increase of 7.2%, compared to 2,031,8 million Meticais recorded in same period in 2015. The increase in commissions was supported by the favourable evolution of the committees most directly related with the banking business, as were the increase in the number of Customers, credit operations and bank guarantees and also foreign operations.



Earnings from trading activity

In 2015, the Bank saw its commercial customers proximity policy reflected in a significant increase of results in financial operations compared to previous years. In 2016, it was possible to maintain good performance, despite the scarcity of USDs imposing a lower volume of foreign exchange transactions, even with intermediation margins resulting from the strong volatility in the foreign exchange market being kept.

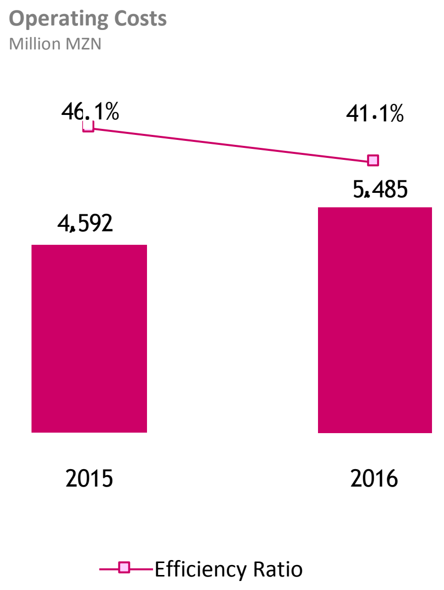
Thus, this item amounted 1,518,2 million Meticais in 2016, a slight decrease of 7.5% compared to 2015.

Other net operating income

Other net operation results totalled 161.7 million Meticais in 2016, compared to 212.1 million meticais recorded in 2015. This reduction was influenced mainly by the registry in 2015 of larger income on sale of tangible assets not assigned to the activity.

Operating Costs

Operating costs, which incorporate staff costs, other administrative costs and depreciation and amortisation for the year, stood at 5,485.2 million meticais in 2016, representing an increase of 19.5% compared to 2015.



The trend in operating costs was mainly due to the foreign exchange effect on costs arising in foreign currencies, as well as the impact registered by growing inflationary pressure, especially at the end of the year.

The 18.4% increase in staff costs in relation to the same period of the previous year is related to the impact of the annual wage updating, as well as to the devaluation of the Metical.

The other administrative expenses increased 23% influenced by exchange rate effect on lease, communications and spending on hardware and software, as well as by significant increase of inflation in items such as current consumption material and other third-party services.

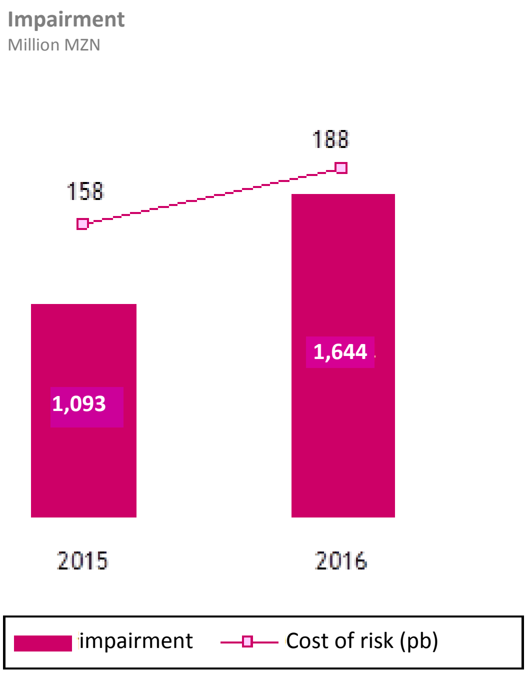
Depreciation and amortisation for the year reached 496.4 million Meticais in 2016, representing an increase of 6.2% relative to the value for 2015. The increase in depreciation and amortisation for the year essentially reflects the sequence of investments made in the IT platform with a view to supporting the growth of the network, the quality and innovation of a better service in the future.

			Million MZN
	dez/16	**dez/15**	**Change 16/15**
Staff costs	2,401.1	2,028.6	18.4%
Other administrative costs	2,587.5	2,095.8	23.5%
Depreciation	496.6	467.7	6.2%
	5,485.2	**4,592.0**	**19.5%**

Cost to income ratio

The efficiency ratio (cost to income), on comparable basis, was 41.1% in 2016, compared with 46.1% in 2015. Improved ratio was due to the strong growth of the banking product compared to moderate growth in operating costs.

Credit impairment and other impairments and provisions



Credit impairment (charges net of recoveries of loans written off) totalled 1,644.3 million Meticais in 2016, compared to 1,092.9 million Meticais in 2015. Such development was induced by the reinforcement of appropriations for impairment of credit related to the increase of the credit portfolio, with a prudential approach to macro-economic situation, and with greater impairments in corporate customers subject of individual analysis.

In 2016, the Bank continued its efforts to improve the risk monitoring mechanisms and its policy of prudent provisioning, with a view to strengthening the full coverage of the loan portfolio with signs of impairment.

The cost of risk, calculated by the proportion of the credit impairment charges net of recoveries of loans written off from the loan portfolio, stood at 188 bps in 2016, compared to the 158 bps recorded in 2015.

Review of the Balance Sheet

During 2016, Millennium bim continued to promote a careful management of assets and liabilities. In a macroeconomic environment that discourages loan concession to the economy, and so as to preserve the structure of the balance sheet, the increase in granted loans was accompanied by the increase in attracted deposits, which maintained once again a prudent loan-to-deposit ratio below 80%.

Total assets reached 133,762 million Meticais in 2016, compared to 117,066 million Meticais recorded in 2015, registering a 14% growth.

Net loans to Customers represent 59% of total assets, with gross loans corresponding to 84,430 million Meticais, which is equivalent to an increase of 20% relative to 2015 (70,508 million Meticais). This development reflects the Bank's support to companies in the context of challenging macroeconomic conditions, having the growth of this segment amounted to 26%.

The increase in toital assets was also influenced by the growth of loans and advances to credit institutions.

Total Assets

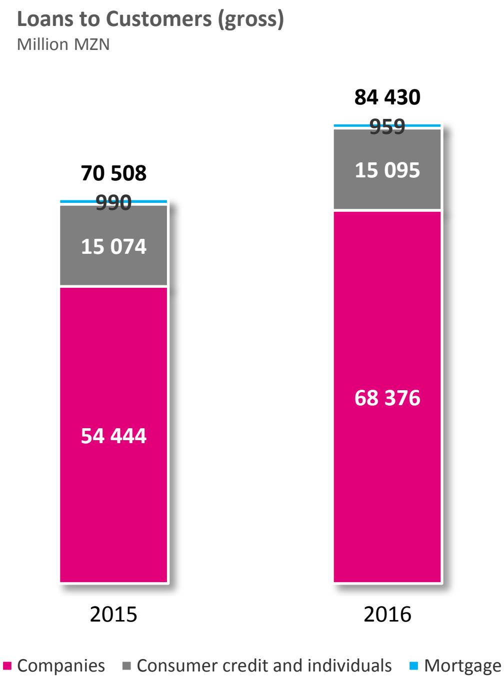
Million MZN

	2016	2015	Change %
Cash and deposits at BdM	20,137	13,717	46.8%
Deposits and credit in credit institutions	12,827	8,564	49.8%
Loans to customers (net)	78,283	66,331	18.0%
Financial assets available for sale	8,878	15,148	-59.8%
Financial assets held to maturity	6,067	6,914	*-12.2%*
Investments in subsidiaries	356	356	0.0%
Tangible and intangible assets	4,920	4,743	3.7%
Other assets	2,312	1,292	77.6%
	133,780	**117,066**	**14.3%**

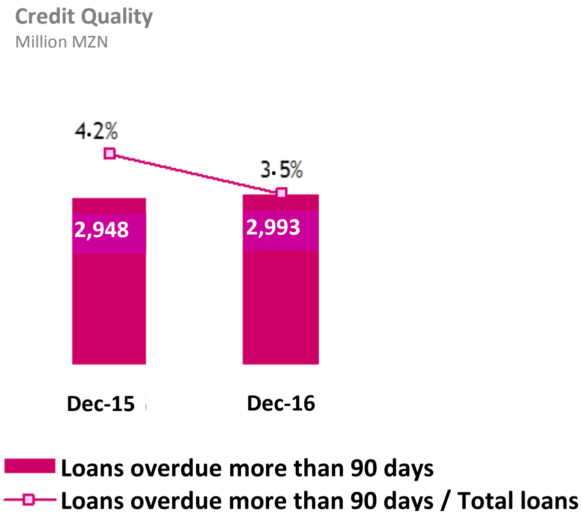
Loans to Customers (gross)

In a context of discouragement of credit concession, Millennium bim adjusted its credit concession policy to the market adversities, where we highlight the strong evolution of loans to companies, which increased by 26%, notwithstanding the maintenance of a policy of prudence in the selection of operations according to risk and profitability, as well as the strengthening of collateral.

Loans to customers (gross), on a comparable basis, reached 84,429 million Meticais in 2016, having increased by 20% in relation to the 70,508 million Meticais recorded in 2015. This development was mainly driven by loans to companies (+26%), while loans to individuals reduced 3%.



The structure of the loan portfolio maintained the same patterns of diversification, with a slight reinforcement of loans to companies which holds a dominant position in the portfolio of loans granted to customers, with a weight of 81% (77% in 2015).



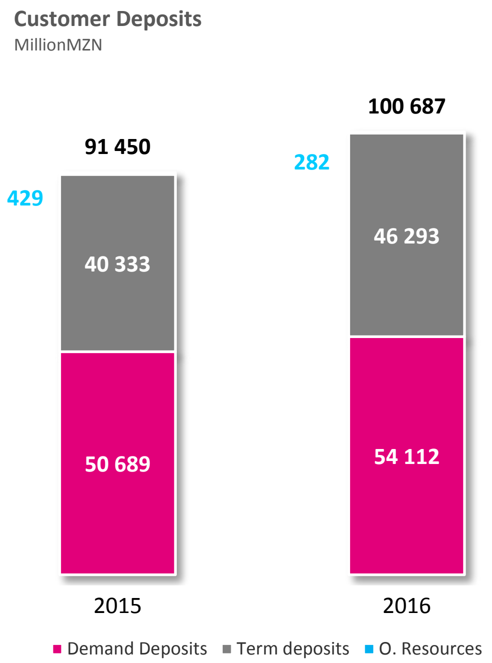
Credit Quality

Credit quality, measured by the loans overdue by more than 90 days as a percentage of total loans, stood at 3.5% in 2016 compared to 4.2% in 2015. This reduction is due to reduction of defaults of loans to companies and also growth of the credit portfolio. Notwithstanding, the Bank pursues a prudential credit policy, with the identification of higher risk segments in Individuals and individual monitoring of companies, aimed at strengthening prevention and stimulating credit recovery.

Strengthening the prudential levels of impairment in 2016 was also an appropriate and comfortable coverage of loans overdue more than 90 days, having the same ratio increased to 205% in 2016, compared with 142% in 2015.

Customer deposits

In a difficult market context, and consequent significantly higher competition for the attraction of customer funds, the Bank continued to have a large and diversified offer of products and services associated to the additional performance of the commercial networks and a strict pricing management combined with attractive maturities and remuneration, which contributed to total customer funds having grown by 10%, amounting to 100,687 million Meticais in 2016.

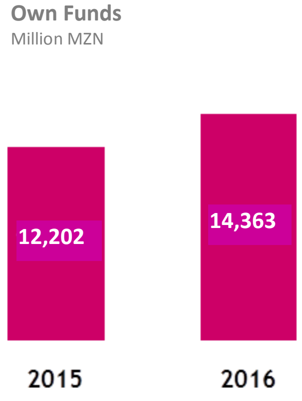


In 2016, the focus remained on the attraction and growth of customer funds, continuing to bet on loyalty and expansion of the customer base. For such there were a greater network of branches, better offer of solutions of small scheduled savings and investments in the medium and long term, aimed for private customers and strengthening of the involvement at the level of business treasuries. Furthermore, strengthening of excellence and innovation of customer service, as distinctive factors and drivers of trade capacities of distribution networks.

Share capital

The capital ratios for 2016 were calculated in accordance with the regulatory standards of Banco de Moçambique. Total own funds arise from the sum of core capital (Tier I) and supplementary capital (Tier II) and subtraction of the component recorded under aggregate deductions.

The solvency ratio, as at 31 December 2016, stood at 18.8%, with Tier I having reached 20%, significantly above the minimum limit of 8% recommended by Banco de Moçambique.



PROPOSED APPLICATION OF NET INCOME

Pursuant to the statutory provisions and under the terms of the Mozambican Legislation in force, namely Law number 15/99 of the Credit Institutions relative to the constitution of Reserves, it is proposed that the net income recorded in the individual balance sheet relative to the financial year of 2016, of the value of 4,509,677,049.80 Meticais, should be distributed as follows:

Meticais

	%	Value
Legal reserve	15.00%	676,451,557.48
Free Reserve	47.50%	2,142,096,598.65
Dividend stabilisation reserve	2.50%	112,741,926.24
Distribution to Shareholders	35.00%	1,578,386,967.43

[Illegible Signature]
Rui Cirne Plácido de Carvalho Fonseca
(Chairman)

[Illegible Signature]
Miguel Maya Dias Pinheiro
(1st Deputy-Chairman)

[Illegible Signature]
José Reino da Costa
(2nd Deputy-Chairman)

[Illegible Signature]
Maria da Conceição Mota S. O. Callé Lucas
(Director)

[Illegible Signature]
Manuel Alfredo de Brito Gamito
(Director)

[Illegible Signature]
Jacinto Zacarias Uqueio
(Director)

[Illegible Signature]
João Manuel R. T. da Cunha Martins
(Director)

[Illegible Signature]
Jorge Octávio Netos dos Santos
(Director)

[Illegible Signature]
Moisés Jorge
(Director)

[Illegible Signature]
Liliana Marisa Catoja da Costa Lemos
(Director)

[Illegible Signature]
Fernando Manuel Nobre de Carvalho
(Director)

[Illegible Signature]
Nuno Pedro da Silva do Carmo Vaz
(Director)

[Illegible Signature]
Ricardo David
(Director)

Banco Internacional de Moçambique

Consolidated Income Statement
for the year ended on 31 December 2016

MZN '000

	Notes	2016	2015
Interest and equivalent income	2	**14,684,346**	9,670,596
Interest and similar costs	2	**(4,973,627)**	(3,513,108)
Net interest income		**9,710,719**	6,157,488
Income from equity instruments	3	**1,806**	1,525
Earnings from services and commissions	4	**2,129,471**	1,973,015
Earnings from trading activity	5	**1,749,068**	1,741,585
Other operating income	6	**955,955**	1,147,108
Total operating income		**14,547,019**	11,020,721
Staff costs	7	**(2,496,053)**	(2,096,304)
Other administrative costs	8	**(2,547,536)**	(2,042,547)
Depreciation	9	**(532,720)**	(501,093)
Total operating costs		**(5,576,309)**	(4,639,944)
Loans impairment	10	**(1,644,298)**	(1,092,876)
Other provisions	11	**(348,675)**	(654,386)
Net (loss) / income before income tax		**6,977,737**	4,633,515
Taxes			
Current	12	**(1,952,423)**	(888,791)
Deferred	12	**(10,817)**	(7,693)
		(1,963,240)	(896,484)
Profit after income tax		**5,014,497**	3,737,031
Consolidated net income for the year attributable to:			
Shareholders of the Bank		**4,950,639**	3,684,884
Non-controlling interests		**63,858**	52,147
Net income for the year		**5,014,497**	3,737,031
Earnings per share	13	**MZN 110.01**	MZN 81.89

See accompanying notes to the consolidated financial statements.

Banco Internacional de Moçambique

Consolidated Statement of Comprehensive Income for the financial year ended on 31 December 2016

	2016	2015
		MZN '000
Items that might be reclassified for the income statement		
Financial assets available for sale - fair value changes	(654,334)	1,693
Taxes		(579)
	(654,334)	1,114
Items that will not be reclassification for net income statement		
Actuarial losses for the year	(105,838)	(42,024)
	(105,838)	(42,024)
Other comprehensive income for the period after taxes	(760,172)	(40,910)
Consolidated net income for the year	5,014,497	3,737,032
Total Comprehensive income for the year	4,254,325	3,696,122
Attributable to:		
Shareholders of the Bank	4,191,393	3,644,191
Non-controlling interests		
Consolidated net income for the year	63,858	52,147
Fair value reserves	(256)	182
Taxes		(58)
Actuarial losses for the year	(670)	(340)
	62,932	51,931
Total Comprehensive income for the year	4,254,325	3,696,122

See accompanying notes to the consolidated financial statements.

Banco Internacional de Moçambique

Consolidated Balance Sheet as at 31 December 2016

MZN '000

	Notes	2016	2015
Written-off			
Cash and deposits at Banco de Moçambique	14	**20,136,892**	13,717,022
Loans and advances to other credit institutions	15	**1,230,242**	1,887,955
Deposits in banks	16	**11,612,719**	6,688,577
Loans to customers	17	**78,283,110**	66,330,980
Financial assets available for sale	18	**9,582,843**	24,203,828
Financial assets held to maturity	19	**7,635,754**	
Investments in associated companies	20	**267,500**	267,206
Investment properties		**97,713**	52,223
Non current assets held for sale	21	**993,811**	881,730
Other tangible assets	22	**5,354,072**	5,306,352
Goodwill and intangible assets	23	**352,621**	299,252
Current tax assets	24	**17,319**	-
Deferred tax assets	25	**10,892**	21,710
Other assets	26	**2,883,230**	771,469
Total Assets		**138,458,718**	**120,428,304**
Liabilities			
Amounts owed to other credit institutions	27	**7,778,010**	3,772,002
Customer funds	28	**97,818,868**	89,204,541
Provisions	29	**5,382,315**	4,406,373
Current income tax liabilities	24	**926,042**	51,143
Deferred income tax liabilities	25	**19,046**	17,538
Other liabilities	31	**3,028,067**	2,505,455
Total Liabilities		**114,952,348**	**99,957,052**
Shareholders' equity			
Share capital	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**18,777,779**	15,773,406
Total equity attributable to the Group		**23,277,779**	**20,273,406**
Non-controlling interests		**228,591**	197,846
Total Equity		**23,506,370**	**20,471,252**
Total equity and liabilities		**138,458,718**	**120,428,304**

See accompanying notes to the financial statements

Banco Internacional de Moçambique

Consolidated Cash Flow Statement
for the year ended on 31 December 2016

MZN '000

	2016	2015
Cash flow from operating activities		
Interest and commissions received	**15,832,496**	11,753,129
Interest and commissions paid	**(5,154,071)**	(3,663,229)
Payments to employees and suppliers	**(4,977,303)**	(4,109,069)
Recoveries on loans previously written off	**61,811**	97,451
Net earned premiums	**1,301,819**	1,171,385
Claims incurred	**(640,271)**	(456,581)
Operating earnings before changes in operating funds	**6,424,481**	4,793,086
Increases/decreases of operating assets		
Financial assets available for sale	**6,570,955**	(211,745)
Deposits in banks	**(5,036,368)**	(2,771,691)
Deposits at central banks	**(5,471,356)**	(4,180,266)
Loans to customers	**(12,495,766)**	(10,785,165)
Other operating assets	**(2,249,566)**	447,452
Increases/decreases of operating liabilities		
Deposits from other credit institutions	**3,999,691**	1,659,598
Customer deposits and other loans	**8,976,487**	11,933,847
Liabilities represented by securities	**-**	(1,000,000)
Other operating liabilities	**866,999**	912,493
Net cash flow from operating activities before payment of income tax	**1,585,557**	797,609
Income tax paid	**(1,094,843)**	(920,300)
Net cash flow from operating activities	**490,714**	(122,691)
Cash flow from investment activities		
Acquisition/reinforcement of holdings	**(294)**	52
Dividends received	**1,806**	1,525
Acquisition of tangible assets	**(955,709)**	(520,972)
Values received from the sale of tangible assets	**98,882**	1,229
Net cash flow from investment activities	**(855,315)**	(518,166)
Cash flow from financing activities		
Dividends paid	**(1,187,020)**	(1,222,773)
Net cash flow from financing activities	**(1,187,020)**	(1,222,773)
Effect of change in exchange rate on cash and cash equivalents	**1,842,421**	1,577,493
Increase/decrease in cash and cash equivalents	**290,800**	(286,138)
Cash and cash equivalents at the beginning of the year	**5,864,229**	6,150,366
Cash and cash equivalents at the end of the year	**6,155,029**	5,864,228

See accompanying notes to the financial statements

Banco Internacional de Moçambique

Consolidated Statement of Changes in Equity
for the year ended on 31 December 2016

MZN '000

	Total equity	Share capital	Legal reserve	Other reserves and retained earnings	Non-controlling interests
Balance as at 01 January 2015	**18,025,971**	**4,500,000**	**2,820,425**	**10,531,563**	**173,983**
Transfer to the legal reserve	-	-	524,045	(524,045)	-
Dividends paid in 2015	(1,250,840)	-	-	(1,222,773)	(28,067)
Comprehensive income	3,696,122	-	-	3,644,191	51,931
Balance as at 31 December 2015	**20,471,252**	**4,500,000**	**3,344,470**	**12,428,936**	**197,846**
Transfer to the legal reserve	-	-	508,723	(508,723)	-
Dividends paid in 2016	(1,219,206)	-	-	(1,187,020)	(32,186)
Comprehensive income	4,254,324	-	-	4,191,393	62,931
Balance as at 31 December 2016	**23,506,370**	**4,500,000**	**3,853,193**	**14,924,586**	**228,591**

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Income Statement of the Bank
for the year ended on 31 December 2016

MZN '000

	Notes	2016	2015
Interest and equivalent income	2	**14,420,365**	9,449,825
Interest and similar costs	2	**(5,233,084)**	(3,630,878)
Net interest income		**9,187,281**	5,818,947
Income from equity instruments	3	**286,935**	250,322
Earnings from services and commissions	4	**2,177,900**	2,031,780
Earnings from trading activity	5	**1,518,186**	1,639,940
Other operating income	6	**161,736**	212,136
Total operating income		**13,332,038**	9,953,125
Staff costs	7	**(2,401,090)**	(2,028,566)
Other administrative costs	8	**(2,587,547)**	(2,095,755)
Depreciation	9	**(496,576)**	(467,672)
Total operating costs		**(5,485,213)**	(4,591,993)
Loans impairment	10	(1,644,298)	(1,092,876)
Other provisions	11	27,390	(175,200)
Net (loss) / income before income tax		6,229,917	4,093,056
Taxes			
Current	12	**(1,709,423)**	(693,877)
Deferred	12	**(10,817)**	(7,693)
		(1,720,240)	(701,570)
Net income for the year		**4,509,677**	3,391,486
Earnings per share	13	**MZN 100.22**	MZN 75.37

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Comprehensive Income Statement of the Bank
for the year ended on 31 December 2016

		MZN '000
	2016	2015
Items that will not be reclassification of net income for the year		
Fair value reserves	**(651,791)**	-
Actuarial profit/loss for the year	**64,754**	39,966
Other comprehensive income for the period after taxes	**(587,037)**	39,966
Net income for the year	**4,509,677**	3,391,486
Total comprehensive income for the year	**3,922,640**	3,431,452

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Balance Sheet of the Bank as at 31 December 2016

\ MZN '000

	Notes	2016	2015
Written-off			
Cash and deposits at Banco de Moçambique	14	**20,136,892**	13,717,022
Loans and advances to other credit institutions	15	**1,228,499**	1,886,454
Deposits in banks	16	**11,598,205**	6,677,456
Loans to customers	17	**78,283,110**	66,330,980
Financial assets available for sale	18	**8,877,880**	22,062,133
Financial assets held to maturity	19	**6,067,068**	
Investments in subsidiaries	20	**356,148**	356,148
Non current assets held for sale	21	**993,811**	881,730
Other tangible assets	22	**4,721,162**	4,594,176
Intangible assets	23	**198,847**	149,281
Current tax assets	24	**17,319**	-
Deferred tax assets	25	**10,892**	21,710
Other assets	26	**1,289,717**	388,413
Total assets		**133,779,550**	**117,065,503**
Liabilities			
Amounts owed to other credit institutions	27	**7,778,010**	3,772,002
Customer funds	28	**100,686,608**	91,450,263
Provisions	29	**751,708**	661,853
Subordinated liabilities	30	**17**	175,636
Current income tax liabilities	24	**910,578**	34,086
Other liabilities	31	**2,156,690**	2,211,344
Total liabilities		**112,283,611**	**98,305,184**
Shareholders' equity			
Share capital	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**16,995,939**	14,260,319
Total equity		**21,495,939**	**18,760,319**
Total Equity and Liabilities		**133,779,550**	**117,065,503**

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Cash Flow Statement of the Bank
for the year ended on 31 December 2016

MZN '000

	2016	2015
Cash flow from operating activities		
Interest and commissions received	**15,483,181**	11,523,324
Interest and commissions paid	**(5,326,493)**	(3,689,392)
Payments to employees and suppliers	**(5,048,450)**	(4,184,782)
Recoveries on loans previously written off	**61,811**	97,451
Operating earnings before changes in operating funds	**5,170,049**	3,746,601
Increases/decreases of operating assets		
Financial assets available for sale	**6,901,126**	396,221
Investments in credit institutions	**(5,033,801)**	(2,763,175)
Deposits at central banks	**(5,471,356)**	(4,180,266)
Loans to customers	**(12,495,766)**	(10,785,165)
Other operating assets	**(887,849)**	637,456
Increases/decreases of operating liabilities		
Deposits from other credit institutions	**3,999,691**	1,659,598
Customer deposits and other loans	**8,845,149**	11,912,188
Liabilities represented by securities	**-**	(1,000,000)
Other operating liabilities	**1,077,473**	783,410
Net cash flow from operating activities before payment of income tax	**2,104,716**	406,868
Income tax paid	**(1,760,828)**	(755,464)
Net cash flow from operating activities	**343,888**	(348,596)
Cash flow from investment activities		
Dividends received	**286,935**	250,322
Acquisition of tangible assets	**(834,658)**	(541,652)
Values received from the sale of tangible assets	**14,611**	1,090
Net cash flow from investment activities	**(533,112)**	(290,240)
Cash flow from financing activities		
Dividends paid	**(1,187,020)**	(1,222,773)
Repayment of subordinated debt	**(175,619)**	-
Interest paid in financing activities	**-**	25
Net cash flow from financing activities	**(1,362,639)**	(1,222,748)
Effect of change in exchange rate on cash and cash equivalents	**1,842,421**	1,575,673
Increase/decrease in cash and cash equivalents	**290,558**	(285,911)
Cash and cash equivalents at the beginning of the period	**5,862,727**	6,148,638
Cash and cash equivalents at the end of the period	**6,153,285**	5,862,727

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Statement of Changes in Equity of the Bank
for the year ended on 31 December 2016

\ MZN '000

	Total equity	Share capital	Legal reserve	Other reserves and retained earnings
Balance as at 01 January 2015	**16,551,640**	**4,500,000**	**2,820,425**	**9,231,215**
Transfer to the legal reserve	-	-	524,045	(524,045)
Dividends paid in 2015	(1,222,773)	-	-	(1,222,773)
Comprehensive income	3,431,452	-	-	3,431,452
Balance as at 31 December 2015	**18,760,319**	**4,500,000**	**3,344,470**	**10,915,849**
Transfer to the legal reserve	-		508,723	(508,723)
Dividends paid in 2016	(1,187,020)			(1,187,020)
Comprehensive income	3,922,640			3,922,640
Balance as at 31 December 2016	**21,495,939**	**4,500,000**	**3,853,193**	**13,142,746**

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

ANNUAL REPORT MILLENNIUM BIM 2015 - Notes to the Financial Statements

Notes

1. Accounting policies

Introduction

BIM – Banco Internacional de Moçambique, S.A. ("Bank" or "BIM") is a private bank with head office in Maputo. The financial statements of the Group and of the Bank reflect the results of their operations for the financial year ended on 31 December 2016.

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

a) Basis of presentation

The consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the "Group") and the Group's interest in associates for the years ended on 31 December 2016.

All the references in this document related with any normatives always report to the current version.

The accounting policies set forth in this note were applied consistently to all the Group's entities, and are consistent with those used in the preparation of the financial statements of the previous period.

The consolidated financial statements are prepared under the historical cost convention, as modified by the application of fair value for financial assets and liabilities at fair value through profit or loss and financial assets available for sale, except those for which a reliable measure of fair value is not available.

Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

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

The preparation of the financial statements in conformity with IFRS requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and costs. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant, are presented in note y).

The IFRS include the standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and their respective former bodies. The consolidated financial statements presented were approved on 10 March 2017 by the Bank's Board of Directors. The financial statements are presented in thousands of Meticais, rounded to the nearest thousand.

b) Basis of consolidation

As from 1 January, 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

These consolidated financial statements reflect the assets, liabilities, income and expenses of the Bank and its subsidiary (Group), and the results attributed to the Group with reference to investments in associated companies.

Investments in subsidiaries

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

On a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

The consolidated financial statements include the attributable part of the total results and reserves of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

Consolidation differences - Goodwill

Business combinations are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined on the acquisition date of the assets given and liabilities incurred or assumed.

Costs directly attributable to the acquisition of a subsidiary are recorded directly through profit or loss.

The positive goodwill arising from acquisitions is recognised as an asset and recorded at acquisition cost, not being amortised.

Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year in which the business combination occurs.

The recoverable value of goodwill is assessed annually, regardless of the existence of any indications of impairment. Impairment losses are recognized in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

Purchases and dilution of non-controlling interests

The acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, additional goodwill resulting from this transaction is not recognized. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

Loss of control

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

In an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the acquisition value is accounted against reserves.

Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses arising from intragroup transactions are eliminated in the preparation of the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

c) Loans to Customers

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

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

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

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

Impairment

It is the Group’s policy to regularly assess the existence of objective evidence of impairment in its loan portfolio. The identified impairment losses are recorded against profit or loss, and subsequently reversed through profit or loss if there is a reduction of the estimated impairment loss in a subsequent period.

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

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

(i) Individual analysis

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

In determining such impairment losses on individually assessed loans, the following factors are considered:

- the total exposure of each Customer at the Group and the existence of overdue loans;
- the economic-financial viability of the Customer’s business and its capability to generate sufficient cash flow to service future debt obligations;
- the existence, nature and estimated value of the collaterals;
- a significant downgrading in the Customer's rating;
- the Customer’s assets in situations of liquidation or bankruptcy;
- the ranking of all creditors' claims;
- the amount and timing of expected receipts and recoveries.

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

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

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

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

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

(ii) Collective analysis

Impairment losses based on collective analysis may be calculated from two perspectives:
- for homogeneous groups of loans that are not considered individually significant (parametric analysis); or
- in respect of losses which have been incurred but have not yet been identified ('IBNR') on loans for which no objective evidence of impairment is identified (see section (i)).

The collective impairment loss is determined considering the following factors:
- historical loss experience in portfolios with similar risk characteristics;
- knowledge of the current economic and credit conditions and its influence on the level of historical losses; and
- the estimated period between the occurrence of the loss and its identification.

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

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

d) Financial instruments

(i) Recognition

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

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

(ii) Classification

The Bank classifies its financial assets in the following categories:
- loans and debtors;
- held to maturity;
- available for sale; and
- at fair value through profit or loss, and in this category:
- held for trading; or
- designated at fair value through profit or loss.

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

(iii) Derecognition

Financial assets

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

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

(i) the consideration received (including any new asset obtained minus any new liability assumed) and

(ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition and are created or retained by the Bank, are recognised as a separate asset or liability.

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

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

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

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

Financial liabilities

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

(iv) Offset

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

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

(v) Measurement of amortised cost

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

(vi) Measurement of fair value

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

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

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

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

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

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

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

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

The Bank classifies its financial assets under the following categories:

1) Financial assets available for sale

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

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

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

2) Financial assets held to maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Bank has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These Financial Assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognized in Net interest income. The impairment losses are recognized in profit and loss when identified.

Any reclassification or sale of financial assets included in this category that occurs close to the maturity, or in case it's not suitable for exceptions provided by the rules, will require the Bank to reclassify the entire portfolio as Financial assets available for sale and the Bank will not be allowed to classify any assets under this category for the following two years.

3) Other financial liabilities

The other financial liabilities are all financial liabilities that are not recognized as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

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

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

Impairment of financial instruments

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

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

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

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

e) Hedge accounting

i) Hedge accounting

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

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:
– at the starting date of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;

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

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

(ii) Fair value hedge

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

(iii) Cash flow hedge

In a hedge relationship, the effective portion of net changes in the fair value of derivatives that qualify as cash fl ow hedges are recognised under equity – cash fl ow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognized in profit and loss when occurred.

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

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:
- deferred over the residual period of the hedged instrument; or
- recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognized in equity at that time remains in equity until the forecasted transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iv) Hedge effectiveness

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

(v) Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in equity; the gain or loss relating to the ineffective portion is immediately recognized in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Derecognition

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

The Group derecognizes financial liabilities when these are discharged, cancelled or extinguished.

g) Capital instruments

An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognized in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognized in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognized when the right to receive this income is established and are deducted to equity.

h) Securities borrowing and lending business and repurchase agreement transactions

(i) Securities borrowing and lending

Securities lent under securities lending arrangements continue to be recognized in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognized as a financial liability. Securities borrowed under securities borrowing agreements are not recognized. Cash collateral placements in respect of securities borrowed are recognized under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Group performs acquisition/sell of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos' / 'reverse repos'). The securities related to reselling agreements in a future date are not be recognized on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralized by the related securities. Securities sold through repurchase agreements continue to be recognized in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognized on an accrual basis over the period of the transaction and is included in interest and income or interest and similar costs.

i) Non-current assets held for sale and discontinued operations

The groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when there is the intention to sell the referred assets and liabilities and the assets or groups of assets are available for immediate sale and their sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent dis posal, that are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

The Group also classifies as non-current assets held for sale the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalized.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

The subsequent measurement of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of selling costs, and is not subject to amortisation. In case of unrealized losses, these should be recognized as impairment losses against results.

j) Leasing

Finance lease transactions for a lessee are recorded at the inception date of the lease as an asset and liability, at the fair value of the leased asset, which is equivalent to the present value of the future lease payments. The instalments are composed of the financial charge plus the amortisation of the principal. The financial charge is allocated to the periods during the lease term so as to produce a constant periodic rate of interest on the remaining liability balance for each period.

Assets held under finance leases for a lessor are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortisation of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

k) Recognition of interest

Interest income and expense for financial instruments measured at amortized cost are recognized in the interest income or expenses (net interest income) according to the effective interest rate method.

The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

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

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio the following aspects are considered:
– Interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
– The interest accrued and not paid for overdue loans for more than 90 days that is not covered by collaterals is written-off and is recognized only when it is received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

l) Recognition of Earnings from services and commissions

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

- when are earned as services are provided, are recognised in income over the period in which the service is being provided;
- when are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognized in the net interest income.

m) Earnings from trading activity

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

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

n) Other tangible assets

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

Subsequent costs are recognized as a separate asset only when it is probable that future economic benefits will result to the Group.

All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

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

	Number of years
Real estate properties	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 10
Other tangible assets	3

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

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash-flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognized in profit and loss for the year.

o) Investment properties

Investments properties are initially recognised at acquisition cost, including transaction costs and are subsequently measured at fair value. The fair value of the investment property should reflect the market conditions on the reporting date. Changes in fair value are recognised in results as Other operating income.

p) Intangible assets

Other intangible assets acquired by the Group are recorded at acquisition cost minus accumulated depreciation and impairment losses.

Amortisation is imputed to the profit or loss account pursuant to the straight-line criteria during the estimated useful life:

Software

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

Goodwill

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

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

q) Cash and cash equivalents

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

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

r) Foreign currency transactions

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

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

s) Offsetting

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

t) Employee benefits

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

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

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

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

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

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

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

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

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

(ii) Short term employee benefits

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

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

(iii) Termination of benefits

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

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

u) Income taxes

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

Income tax is recorded through profit or loss.

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

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

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

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

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

v) Segmental reporting

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

The Group controls its activity through the following major segments:

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

w) Provisions

Provisions are recognized when: (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

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

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognized through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

x) Earnings per share

Basic earnings per share are calculated by dividing net income attributable to the Bank’s shareholders by the average number of ordinary shares issued and in circulation.

y) Insurance policies

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

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

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

Insurance contracts and investment contracts with profit sharing features are recognised and measured as follows:

(i) Premiums

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

Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiuns ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

(ii) Provision for claims

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

This provision was determined as follows:

based on the analysis of the outstanding claims at the end of the year and consequent estimated liability existing on that date; and

through the provision, based on statistical data, of values of costs related to claims for the year, in order to meet liabilities related to claims declared after the closing of the year (IBNR).

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

(iv) Provision for profit sharing

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

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

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

Provision for attributed profit sharing:

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

z) Accounting estimates and judgements in applying accounting policies

IFRS set forth a range of accounting treatments that require the Executive Committee and management to apply judgments and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Group's reported results would differ if a different treatment was chosen. The Executive Committee considers that the adopted criteria are appropriate and that the financial statements present the financial position and operations of the Group in a suitable manner in all materially relevant aspects.

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

Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, 30% depreciation in the fair value of an equity instrument is considered a significant devaluation, and the period of 1 year is assumed as a prolonged decrease in fair value below acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

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

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in Note 1 c).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

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

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses to what extent it is exposed, or has rights, to variable returns derived from its involvement with that entity and the ability to enforce these returns through its power over the entity (de facto control).

The determination of the entities that need to be consolidated by the Group requires the use of judgement, assumptions and estimates in determining to what extent the Group is exposed to the variability of return and to the ability to take over those entities through its power.

Different estimates and assumptions could lead the Group to a different scope of consolidation with a direct impact in consolidated net income.

Income taxes

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

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

The Mozambican Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years, in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Committee considers that there is no relevant material effect at the level of the financial statements.

Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment

The goodwill recoverable amount recognised as a Group's asset, is revised annually regardless of the existence of impairment losses.

For this purpose, the carrying amount of the business unit of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

2. Net interest income

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Interest and equivalent income				
Interest on loans and advances	**12,329,074**	7,832,885	**12,329,074**	7,832,885
Interest on deposits and other investments	**158,961**	25,216	**155,139**	25,042
Interest on securities available for sale	**2,130,515**	1,812,495	**1,870,357**	1,591,898
Interest on held to maturity securities	**65,796**		**65,796**	
	14,684,346	9,670,596	**14,420,366**	9,449,825
Interest and similar costs				
Interest on deposits and other funds	**4,971,805**	3,426,199	**5,214,164**	3,531,255
Interest on securities issued	**0**	86,743	**17,099**	99,456
Other similar costs and interest	**1,822**	166	**1,822**	167
	4,973,627	3,513,108	**5,233,085**	3,630,878
Net interest income	**9,710,719**	6,157,488	**9,187,281**	5,818,947

3. Income from equity instruments

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Income from investments in subsidiaries	-	-	**286,935**	250,322
Income from securities available for sale	**1,806**	1,525	-	-
	1,806	1,525	**286,935**	250,322

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

4. Earnings from services and commissions

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Banking services rendered				
From guarantees provided	**694,034**	526,387	**694,034**	526,387
From banking services rendered	**920,585**	902,323	**976,086**	965,653
Insurance activity commissions	**86,114**	72,070	-	-
Other commissions	**782,604**	738,852	**782,604**	738,852
	2,483,337	2,239,632	**2,452,724**	2,230,892
Banking services received				
From guarantees provided	**43,642**	33,050	**43,642**	33,050
From banking services rendered	**1,075**	84	**1,074**	83
Insurance activity commissions	**79,041**	67,504	-	-
Other commissions	**230,108**	165,979	**230,108**	165,979
	353,866	266,617	**274,824**	199,112
Net fees and commission income	**2,129,471**	1,973,015	**2,177,900**	2,031,780

5. Earnings from trading activity

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Profits from financial transactions				
Foreign exchange transactions	**2,007,075**	1,981,967	**1,410,226**	1,587,444
Other transactions	**148,514**	59,896	**142,671**	56,845
	2,155,589	2,041,863	**1,552,897**	1,644,289
Losses from financial transactions				
Foreign exchange transactions	**404,270**	297,077	**32,460**	1,148
Other transactions	**2,251**	3,201	**2,251**	3,201
	406,521	300,278	**34,711**	4,349
	1,749,068	1,741,585	**1,518,186**	1,639,940

6. Other operating income

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Other operating income				
Income from real estate properties	**9,513**	16,166	**2,359**	8,991
Income from services	**7,985**	11,753	**80,003**	70,812
Reimbursement of expenses	**148,596**	144,543	**148,632**	144,543
Insurance premiums	**1,301,819**	1,171,387	**-**	-
Other operating income	**201,470**	147,896	**34,162**	63,293
	1,669,383	1,491,745	**265,156**	287,639
Other operating costs				
Taxes	**43,559**	37,014	**41,162**	34,364
Donations and contributions	**14,372**	17,990	**14,012**	17,618
Costs related to claims	**602,472**	262,599	**-**	-
Other operating costs	**53,025**	27,034	**48,246**	23,521
	713,428	344,637	**103,420**	75,503
	955,955	1,147,108	**161,736**	212,136

In December 2016, the value of other income includes the recognition of the positive actuarial deviations of the value of 156,826 thousand Meticais in the Group.

7. Staff costs

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Remunerations	**2,380,619**	2,002,599	**2,201,481**	1,852,440
Mandatory social security charges	**77,079**	68,062	**70,775**	61,851
Voluntary social security charges	**20,565**	13,683	**120,877**	107,169
Other staff costs	**17,790**	11,960	**7,957**	7,106
	2,496,053	2,096,304	**2,401,090**	2,028,566

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

	Group		Bank	
	2016	2015	**2016**	2015
Senior management	**163**	**160**	**143**	**142**
Specific /Technical staff	**947**	**941**	**862**	**856**
Other positions	**1,416**	**1,401**	**1,369**	**1,355**
	2,524	2,501	**2,374**	2,353

The total value of the remunerations attributed by the Group and Bank to the Management and Supervisory bodies during the year ended on 31 December 2016, recorded under the heading of Remunerations, stood at 283,996 thousand Meticais and 258,158 thousand Meticais, respectively (2015: 182,308 thousand Meticais and 167,047 thousand Meticais).

The heading of staff costs also includes the costs associated with pension liabilities for the Group and the Bank for the year ended on 31 December 2016 in the amount of 59,884 thousand Meticais and 54,496 thousand Meticais, respectively. 54,414 thousand Meticais and 49,760 thousand Meticais).

8. Other administrative costs

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Water, electricity and fuel	**88,249**	84,922	**83,927**	80,603
Consumables	**144,719**	120,311	**138,162**	116,563
Hire and rental charges	**278,034**	182,759	**339,430**	245,132
Communications	**179,765**	147,916	**176,072**	144,665
Travel, hotel and representation costs	**71,082**	66,980	**67,831**	63,122
Advertising	**121,841**	115,865	**109,019**	105,510
Costs related to independent work	**110,827**	107,699	**86,880**	93,206
Maintenance and repair	**176,623**	166,294	**167,207**	160,418
Insurance	**8,538**	7,036	**82,454**	70,752
Legal and notary services	**11,882**	9,802	**11,834**	9,760
IT and Consulting	**1,106,025**	814,759	**1,078,049**	793,712
Security and surveillance	**114,280**	93,338	**111,010**	90,601
Cleaning of premises	**30,104**	27,959	**30,104**	27,959
Transport of values	**81,546**	70,962	**81,546**	70,962
Staff training	**21,186**	21,451	**21,186**	21,451
Other third party services	**2,835**	4,494	**2,836**	1,339
	2,547,536	2,042,547	**2,587,547**	2,095,755

9. Depreciation

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Intangible assets				
Software	**70,117**	62,529	**64,958**	57,287
Tangible assets				
Real estate properties	**141,469**	137,790	**124,305**	120,626
Equipment	**321,106**	300,741	**307,285**	289,726
Furniture	**26,686**	22,869	**25,178**	21,522
Office equipment	**8,027**	10,043	**7,976**	9,996
Computer equipment	**145,781**	133,540	**144,553**	132,100
Interior installations	**53,955**	45,594	**53,228**	45,390
Motor vehicles	**55,022**	54,380	**46,389**	47,710
Security equipment	**28,501**	31,124	**28,501**	31,124
Other equipment	**3,134**	3,191	**1,460**	1,884
Other tangible assets	**28**	33	**28**	33
	462,603	438,564	**431,618**	410,385
	532,720	501,093	**496,576**	467,672

10. Loans impairment

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Loans granted to customers				
Net allocation for the year	**1,706,110**	1,190,326	**1,706,110**	1,190,326
Recovery of loans and interest written off from assets	**(61,812)**	(97,450)	**(61,812)**	(97,450)
	1,644,298	1,092,876	**1,644,298**	1,092,876

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

11. Other provisions

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Provisions for indirect credit risks				
Impairment for the year	**95,369**	92,874	95,369	92,874
Write-back for the year	**(149,956)**	(72,183)	(149,956)	(72,183)
Provisions for general banking risks				
Impairment for the year	**5,469**	8,861	**5,469**	8,861
Write-back for the year	-	-	-	-
Other provisions				
Impairment for the year	**21,438**	112,500	**21,438**	112,500
Write-back for the year	-	(2,916)	-	(2,916)
Insurance technical provisions				
Impairment for the year	**354,286**	461,439	-	-
Write-back for the year	-	-	-	-
Provisions for other assets				
Impairment for the year	**21,779**	17,746	-	-
Write-back for the year	-	-	-	-
Provisions for non-current assets held for sale				
Impairment for the year	**290**	36,065	**290**	36,065
Write-back for the year	-	-	-	-
	348,675	654,386	**(27,390)**	175,200

12. Taxes

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Current tax	**1,952,423**	888,791	**1,709,423**	693,877
Deferred tax				
Tangible assets	**10,817**	7,693	**10,817**	7,693
Total tax costs	**1,963,240**	896,484	**1,720,240**	701,570
Reconciliation of the effective tax cost				
Net (loss) / income before income tax	**6,977,737**	4,633,515	**6,229,917**	4,093,056
Current taxes	**2,300,704**	893,750	**2,014,295**	661,284
Tax adjustments:				
Impact of non-deductible expenses	**32,388**	10,335	**30,963**	8,994
Impact of non-deductible costs	**23,178**	22,394	**22,047**	21,860
Revenue exempt from tax or not taxable	**(9,663)**	(13,674)	**(9,663)**	(13,674)
Amortisation of deferred cost	**(26,025)**	(8,239)	**(26,025)**	(8,239)
Tax benefits	**(91,819)**	(40,052)	**(91,819)**	(40,052)
Income from securities from Public Debt - withholding tax	**(735,197)**	(359,544)	**(613,107)**	(254,812)
Tax at withholding interest rate from Public Debt	**458,857**	383,820	**382,731**	318,515
Tax cost	**1,952,423**	888,791	**1,709,423**	693,877

13. Earnings per share

MZN

	Group		Bank	
	2016	2015	**2016**	2015
Net income	**4,950,639,079**	3,684,884,798	**4,509,677,050**	3,391,486,281
Number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
Earnings per share	**110.01**	81.89	**100.22**	75.37

14. Cash and deposits at Banco de Moçambique

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Cash	**4,924,787**	3,976,273	**4,924,787**	3,976,273
Banco de Moçambique	**15,212,105**	9,740,749	**15,212,105**	9,740,749
	20,136,892	13,717,022	**20,136,892**	13,717,022

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

The requirement on the constitution of cash reserves, pursuant to Banco de Moçambique Notice number 06/GBM/2016 establishes the maintenance of a deposit balance at Banco de Moçambique, equivalent to 15.5% of the daily average amount of deposits and other liabilities (2015: 10.5%).

15. Loans and advances to other credit institutions

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Domestic credit institutions	**63,918**	155,596	**62,175**	154,095
Credit institutions abroad	**1,166,324**	1,732,359	**1,166,324**	1,732,359
	1,230,242	1,887,955	**1,228,499**	1,886,454

The heading of Deposits in credit institutions in the country includes collectible values of 47,506 thousand Meticais, for the Bank and for the Group, which essentially represent cheques drawn by third parties in other credit institutions under collection as at 31 December 2016. (2015: 136,172 thousand Meticais).

Breakdown of Deposits in other credit institutions abroad by currency:

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
USD	**394,181**	904,427	**394,181**	904,427
CAD	**1,199**	952	**1,199**	952
ZAR	**44,105**	-	**44,105**	-
DKK	**2,666**	2,137	**2,666**	2,137
GBP	**9,279**	2,954	**9,279**	2,954
JPY	-	27,524	-	27,524
NOK	**58,888**	1,790	**58,888**	1,790
SFK	**3,472**	4,001	**3,472**	4,001
CHF	**8,656**	14,788	**8,656**	14,788
EUR	**640,537**	768,156	**640,537**	768,156
AUD	**2,397**	2,297	**2,397**	2,297
	1,166,324	1,732,359	**1,166,324**	1,732,359

16. Deposits in banks

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Investments in domestic credit institutions	**949,927**	3,689,011	**935,413**	3,677,890
Investments in credit institutions abroad	**10,662,792**	2,999,566	**10,662,792**	2,999,566
	11,612,719	6,688,577	**11,598,205**	6,677,456

17. Loans to Customers

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Asset-backed loans	**1,427,509**	19,824,405	**1,427,509**	19,824,405
Personal guaranteed loans	**58,742,015**	35,673,873	**58,742,015**	35,673,873
Unsecured loans	**5,472,722**	6,088,612	**5,472,722**	6,088,612
Public sector	**12,436,331**	3,524,836	**12,436,331**	3,524,836
Loans under financial leasing	**2,853,661**	2,176,293	**2,853,661**	2,176,293
Factoring	**84,153**	181,289	**84,153**	181,289
	81,016,391	67,469,308	**81,016,391**	67,469,308
Overdue loans - less than 90 days	**420,841**	91,021	**420,841**	91,021
Overdue loans - more than 90 days	**2,992,639**	2,948,061	**2,992,639**	2,948,061
	84,429,871	70,508,389	**84,429,871**	70,508,389
Impairment for credit risks	**(6,146,761)**	(4,177,409)	**(6,146,761)**	(4,177,409)
	78,283,110	66,330,980	**78,283,110**	66,330,980

The analysis of loans and advances to Customers, by type of credit, is as follows:

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Short term				
Loans represented by discounted bills	**1,721,059**	2,023,599	**1,721,059**	2,023,599
Current account credits	**6,211,731**	6,212,471	**6,211,731**	6,212,471
Overdrafts	**2,478,355**	1,921,710	**2,478,355**	1,921,710
Loans	**23,564,132**	11,484,257	**23,564,132**	11,484,257
Mortgage loans	**625**	1,390	**625**	1,390
Finance leases	**122,386**	363,032	**122,386**	363,032
Factoring	**84,153**	181,289	**84,153**	181,289
	34,182,440	22,187,748	**34,182,440**	22,187,748
Medium and long term				
Loans represented by discounted bills				
Loans	**44,103,301**	43,469,689	**44,103,301**	43,469,689
Mortgage loans	**124,410**	71,544	**124,410**	71,544
Finance leases	**2,606,240**	1,740,327	**2,606,240**	1,740,327
	46,833,951	45,281,560	**46,833,951**	45,281,560
Overdue loans - less than 90 days	**420,841**	91,021	**420,841**	91,021
Overdue loans - more than 90 days	**2,992,639**	2,948,061	**2,992,639**	2,948,061
	3,413,480	3,039,081	**3,413,480**	3,039,081
Impairment for credit risks	**(6,146,761)**	(4,177,409)	**(6,146,761)**	(4,177,409)
	78,283,110	66,330,980	**78,283,110**	66,330,980

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

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Agriculture and forestry	**3,402,416**	2,448,962	**3,402,416**	2,448,962
Mining	**1,365,694**	1,256,581	**1,365,694**	1,256,581
Food, beverage and tobacco	**771,038**	1,230,450	**771,038**	1,230,450
Textiles	**5,857**	6,117	**5,857**	6,117
Printing and publishing	**171,790**	154,091	**171,790**	154,091
Chemicals	**2,393,956**	1,938,954	**2,393,956**	1,938,954
Machinery and equipment	**2,135,700**	1,643,898	**2,135,700**	1,643,898
Electricity, water and gas	**7,056,066**	4,346,760	**7,056,066**	4,346,760
Construction	**6,766,553**	5,345,237	**6,766,553**	5,345,237
Trade	**11,255,722**	7,966,397	**11,255,722**	7,966,397
Restaurants and hotels	**1,164,713**	1,357,339	**1,164,713**	1,357,339
Transport and communications	**4,961,267**	4,425,233	**4,961,267**	4,425,233
Services	**14,835,181**	9,539,085	**14,835,181**	9,539,085
Consumer credit	**15,154,017**	15,074,095	**15,154,017**	15,074,095
Mortgage loans	**958,726**	989,978	**958,726**	989,978
Mozambican State	**10,385,380**	11,722,496	**10,385,380**	11,722,496
Other activities	**1,645,795**	1,062,716	**1,645,795**	1,062,716
	84,429,871	70,508,389	**84,429,871**	70,508,389
Impairment for credit risks	**(6,146,761)**	(4,177,409)	**(6,146,761)**	(4,177,409)
	78,283,110	66,330,980	**78,283,110**	66,330,980

The portfolio of loans to Customers includes restructured loans that have been formally negotiated with Customers, in order to reinforce guarantees, extend the repayment date or change the interest rate.

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

MZN '000

	2016	2015
Agriculture and forestry	**2,430,524**	1,638,579
Food, beverage and tobacco	**2,628**	2,628
Textiles	**4,816**	4,953
Printing and publishing	**7,287**	7,719
Chemicals	**17,485**	18,796
Machinery and equipment	**146,679**	10,472
Electricity, water and gas	**23,817**	4,698
Construction	**623,420**	23,127
Trade	**351,170**	263,625
Restaurants and hotels	**334,882**	33,587
Transport and communications	**465,489**	137,057
Services	**79,148**	82,204
Consumer credit	**248,711**	148,349
Mortgage loans	**6,276**	5,253
Other activities	**764,610**	30,153
	5,506,943	2,411,198

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

MZN '000

	2016	2015
Asset-backed loans	**12,909**	1,489,866
Personal guaranteed loans	**3,135,107**	1,108,104
Unsecured loans	**28,820**	247,720
Public sector	**310**	787
Loans under financial leasing	**236,334**	192,604
Factoring	**-**	-
	3,413,480	3,039,081

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

MZN '000

	2016	2015
Agriculture and forestry	**195,573**	84,484
Mining	**718**	15
Food, beverage and tobacco	**31,609**	30,565
Textiles	**17**	53
Printing and publishing	**8,172**	1,220
Chemicals	**133,623**	1,025
Machinery and equipment	**16,579**	1,040,506
Electricity, water and gas	**6,413**	809
Construction	**127,432**	31,829
Trade	**365,503**	91,547
Restaurants and hotels	**61,333**	42,475
Transport and communications	**808,785**	578,668
Services	**130,168**	71,213
Consumer credit	**1,462,664**	1,031,661
Mortgage loans	**12,702**	13,988
Mozambican State	**6,068**	806
Other activities	**46,121**	18,217
	3,413,480	3,039,081

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

MZN '000

	Group		**Bank**	
	2016	2015	**2016**	2015
Balance on 1 January	**4,177,409**	3,136,763	**4,177,409**	3,136,763
Net allocation for the year	**1,784,978**	1,190,617	**1,784,978**	1,190,617
Transfers	**-**	-	**-**	-
Amounts charged-off	**(404,250)**	(342,298)	**(404,250)**	(342,298)
Exchange rate differences	**588,624**	192,327	**588,624**	192,327
Balance on 31 December	**6,146,761**	4,177,409	**6,146,761**	4,177,409

The table below shows the breakdown of impairment for credit risks by default category as at 31 December 2016:

MZN '000

	Classes of overdue			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	517,333	240,468	2,633,929	3,391,730
Existing impairment	(100,469)	(127,819)	(1,823,329)	(2,051,617)
Unsecured overdue loans	1,915	14,717	5,119	21,750
Existing impairment	(569)	(7,511)	(4,129)	(12,210)
Total overdue loans	**519,248**	**255,185**	**2,639,048**	**3,413,480**
Total impairment for overdue loans	(101,039)	(135,330)	(1,827,459)	(2,063,828)
Total impairment for outstanding loans				(4,082,933)
Total impairment for credit risks				(6,146,761)

The table below shows the breakdown of impairment for credit risks by default category as at 31 December 2015:

MZN '000

	Classes of overdue			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	122,764	1,159,766	1,508,830	2,791,360
Existing impairment	(50,252)	(315,603)	(983,703)	(1,349,558)
Unsecured overdue loans	31,176	45,688	170,857	247,721
Existing impairment	(20,184)	(27,219)	(129,604)	(177,007)
Total overdue loans	**153,940**	**1,205,454**	**1,679,687**	**3,039,081**
Total impairment for overdue loans	(70,436)	(342,822)	(1,113,307)	(1,526,565)
Total impairment for outstanding loans				(2,650,844)
Total impairment for credit risks				**(4,177,409)**

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

MZN '000

	2016	2015
Agriculture and forestry	**1,197,856**	427,140
Mining	**27,364**	24,630
Food, beverage and tobacco	**20,264**	40,826
Textiles	**130**	132
Printing and publishing	**10,523**	3,758
Chemicals	**49,994**	38,680
Machinery and equipment	**151,230**	300,284
Electricity, water and gas	**146,792**	85,556
Construction	**370,078**	212,958
Trade	**405,143**	292,221
Restaurants and hotels	**56,902**	39,975
Transport and communications	**652,554**	414,256
Services	**585,070**	314,472
Consumer credit	**2,144,463**	1,662,710
Mortgage loans	**62,393**	55,400
Mozambican State	**207,797**	233,002
Other activities	**58,208**	31,409
	6,146,761	4,177,409

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

MZN '000

	2016	2015
Asset-backed loans	**74,249**	1,419,385
Personal guaranteed loans	**5,315,774**	2,141,946
Unsecured loans	**119,079**	306,375
Public sector	**248,816**	70,548
Loans under financial leasing	**387,160**	235,646
Factoring	**1,683**	3,509
	6,146,761	4,177,409

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

MZN '000

	2016	2015
Agriculture and forestry	**-**	25,049
Food, beverage and tobacco	**-**	4
Textiles	**-**	1
Paper, printing and publishing	**-**	141
Chemicals	**-**	32,149
Machines and equipment	**7,248**	2,545
Electricity, water and gas	**-**	4
Construction	**-**	2,564
Trade	**-**	114,004
Restaurants and hotels	**-**	15
Transport and communications	**-**	980
Services	**-**	1,948
Consumer credit	**74,017**	161,009
Other activities	**322,985**	1,885
	404,250	342,298

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

MZN '000

	2016	2015
Personal guaranteed loans	**344,767**	294,625
Unsecured loans	**59,483**	47,673
	404,250	342,298

The recovery of annulled loans and interest during the year or in previous years, carried out during 2016, presented by type of credit, is as follows:

MZN '000

	2016	2015
Personal guaranteed loans	**26,954**	70,652
Unsecured loans	**34,857**	26,799
	61,811	97,451

18. Financial assets available for sale

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

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Bonds and other fixed income securities				
Issued by Government and public entities	**9,519,052**	15,773,239	**8,852,812**	15,124,157
Issued by other entities	**6,591**	-	**-**	-
	9,525,643	15,773,239	**8,852,812**	15,124,157
Shares and other variable income securities	**64,298**	54,700	**32,166**	30,619
Impairment of shares and other variable income securities	**(7,098)**	(7,098)	**(7,098)**	(7,098)
	9,582,843	15,820,841	**8,877,880**	15,147,678

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

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

19. Financial assets held to maturity

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Bonds and other securities held to maturity				
Issued by Government and public entities	**7,635,754**	**8,382,987**	**6,067,068**	**6,914,455**
	7,635,754	**8,382,987**	**6,067,068**	**6,914,455**

In the context of increased volatility in rates, and since the objective for the public debt portfolio was not *trading*, the Bank decided to proceed to its reclassification of financial assets held-for-sale to held-to-maturity financial assets.

20. Investments in subsidiaries and associates

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Subsidiary:				
Seguradora Internacional de Moçambique, S.A	**-**	-	**356,148**	356,148
	-	-	**356,148**	356,148

The investment in the subsidiary Seguradora Internacional de Moçambique S.A., of the value of 356,148 thousand Meticais, corresponds to the acquisition cost of the holding. As at 31 December 2016, the equity of the subsidiary amounted to 3,808,084 thousand Meticais (In 2015: 2,037,518 thousand Meticais).

As at 31 December 2016, the Bank's percentage holding in the subsidiary is demonstrated as follows:

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

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

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

As at 31 December 2016, the Group's percentage holding in the associates is demonstrated as follows:

MZN '000

Associate	Head office	Share capital	Economic activity	Effective holding (%)		Book value	
				Dec-16	Dec-15	Dec-16	Dec-15
Constellation, S.A.	Maputo	1,053,500	Management Real estate	17.98	17.98	250,208	250,208
Beira Nave	Beira	2,850	Shipyards	20.54	20.54	17,292	16,998
						267,500	267,206

21. Non current assets held for sale

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Investments due to recovered loans				
Real estate properties	**1,164,677**	1,051,338	**1,164,677**	1,051,338
Equipment and other	**8,845**	9,813	**8,845**	9,813
	1,173,522	1,061,151	**1,173,522**	1,061,151
Impairment	**(179,711)**	(179,421)	**(179,711)**	(179,421)
	993,811	881,730	**993,811**	881,730

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

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Balance on 1 January	**179,421**	143,356	**179,421**	143,356
Impairment for the year	**290**	36,065	**290**	36,065
Balance at the end of the year	**179,711**	179,421	**179,711**	179,421

22. Other tangible assets

The movements under the heading of Other tangible assets during 2016, for the Group and for the Bank, are analysed as follows:

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Real estate properties	**4,085,755**	4,112,886	**3,307,212**	3,275,297
Works in rented buildings	**727,905**	732,581	**727,905**	732,581
Equipment				
Furniture	**304,148**	324,454	**297,699**	318,005
Office equipment	**112,973**	148,341	**109,646**	145,014
Computer equipment	**1,528,868**	1,571,881	**1,515,637**	1,558,650
Interior installations	**644,849**	678,093	**638,079**	671,323
Motor vehicles	**377,644**	412,871	**322,646**	357,872
Security equipment	**253,691**	261,308	**253,691**	261,308
Other tangible assets	**36,166**	55,144	**24,933**	43,911
Investments in progress	**378,456**	155,507	**378,456**	155,507
	8,450,454	8,453,065	**7,575,904**	7,519,468
Accumulated depreciation and impairment	**(3,096,382)**	(3,146,713)	**(2,854,742)**	(2,925,292)
	5,354,072	5,306,352	**4,721,162**	4,594,176

The movements under the heading of Other tangible assets during 2016, for the Group, are analysed as follows:

MZN '000

	Balance as at 1 January 2016	Acquisitions /Allocations	Disposals / Write-offs	Transfers	Balance as at 31 December 2016
Cost					
Real estate properties	4,112,886	14,684	(59,658)	17,843	4,085,755
Works in rented buildings	732,581	16,030	(43,384)	22,678	727,905
Equipment					
Furniture	324,454	21,197	(82,920)	41,417	304,148
Office equipment	148,341	3,238	(38,606)	-	112,973
Computer equipment	1,571,881	91,840	(163,648)	28,796	1,528,868
Interior installations	678,093	51,430	(86,904)	2,230	644,849
Motor vehicles	412,871	32,169	(67,396)	-	377,644
Security equipment	261,308	25,347	(31,676)	(1,288)	253,691
Other tangible assets	55,144	3,380	(22,358)	-	36,166
Fixed assets in progress	155,507	339,125	(4,500)	(111,676)	378,456
	8,453,065	598,439	(601,050)	-	8,450,454
Accumulated depreciation					
Real estate properties	(401,171)	(89,150)	612	(752)	(490,460)
Works in rented buildings	(336,752)	(52,319)	42,848	752	(345,471)
Equipment					
Furniture	(189,791)	(26,686)	72,019	-	(144,458)
Office equipment	(127,142)	(8,027)	38,556	9	(96,604)
Computer equipment	(1,232,112)	(145,781)	161,367	-	(1,216,526)
Interior installations	(350,891)	(53,955)	85,930	(7)	(318,923)
Motor vehicles	(273,489)	(55,022)	60,658	-	(267,853)
Security equipment	(191,083)	(28,501)	31,676	-	(187,908)
Other tangible assets	(44,283)	(3,162)	19,268	(2)	(28,179)
	(3,146,713)	(462,603)	512,934	-	(3,096,382)

The movements under the heading of Other tangible assets during 2015, for the Group, are analysed as follows:

MZN '000

	Balance as at 1 January 2015	Acquisitions /Allocations	Disposals /Write-offs	Transfers	Balance as at 31 December 2015
Cost					
Real estate properties	4,058,783	34,756	-	19,347	4,112,886
Works in rented buildings	620,902	1,273	-	110,405	732,581
Equipment					
Furniture	312,190	8,069	(84)	4,279	324,454
Office equipment	147,145	1,196	-	-	148,341
Computer equipment	1,389,932	56,434	(12,644)	138,160	1,571,881
Interior installations	562,558	60,844	(3,496)	58,187	678,093
Motor vehicles	365,759	91,590	(44,478)	-	412,871
Security equipment	241,858	9,502	-	9,948	261,308
Other tangible assets	52,340	2,267	(80)	616	55,144
Fixed assets in progress	271,938	224,511	-	(340,942)	155,507
	8,023,405	490,442	(60,782)	-	8,453,065
Accumulated depreciation					
Real estate properties	(312,260)	(89,316)	405	-	(401,171)
Works in rented buildings	(288,278)	(48,474)			(336,752)
Equipment					
Furniture	(167,787)	(22,869)	816	50	(189,791)
Office equipment	(117,049)	(10,043)	-	(50)	(127,142)
Computer equipment	(1,111,200)	(133,540)	12,628	-	(1,232,112)
Interior installations	(307,745)	(45,594)	2,448	-	(350,891)
Motor vehicles	(263,559)	(54,379)	43,226	1,223	(273,489)
Security equipment	(159,959)	(31,124)	-	-	(191,083)
Other tangible assets	(39,865)	(3,225)	30	(1,233)	(44,283)
	(2,767,702)	(438,564)	59,553	-	(3,146,713)

The movements under the heading of Other tangible assets during 2016, for the Bank, are analysed as follows:

MZN '000

	Balance as at 1 January 2016	Acquisitions /Allocations	Disposals /Write-offs	Transfers	Balance as at 31 December 2016
Cost					
Real estate properties	3,275,297	14,684	(612)	17,843	3,307,212
Works in rented buildings	732,581	16,030	(43,384)	22,678	727,905
Equipment					
Furniture	318,005	14,669	(76,392)	41,417	297,699
Office equipment	145,014	3,188	(38,556)	-	109,646
Computer equipment	1,558,650	89,681	(161,490)	28,796	1,515,637
Interior installations	671,323	51,430	(86,904)	2,230	638,079
Motor vehicles	357,872	17,914	(53,140)	-	322,646
Security equipment	261,308	25,347	(31,676)	(1,288)	253,691
Other tangible assets	43,911	1,147	(20,125)	-	24,933
Fixed assets in progress	155,507	339,125	(4,500)	(111,676)	378,456
	7,519,468	573,215	(516,779)	-	7,575,904
Accumulated depreciation					
Real estate properties	(237,897)	(71,986)	612	(752)	(310,023)
Works in rented buildings	(336,752)	(52,319)	42,848	752	(345,471)
Equipment					
Furniture	(185,780)	(25,178)	71,200	-	(139,758)
Office equipment	(124,033)	(7,976)	38,556	9	(93,444)
Computer equipment	(1,221,485)	(144,553)	161,365	-	(1,204,673)
Interior installations	(347,556)	(53,228)	85,931	(7)	(314,860)
Motor vehicles	(243,950)	(46,389)	49,915	-	(240,424)
Security equipment	(191,083)	(28,501)	31,676	-	(187,908)
Other tangible assets	(36,756)	(1,488)	20,065	(2)	(18,181)
	(2,925,292)	(431,618)	502,168	-	(2,854,742)

The movements under the heading of Other tangible assets during 2015, for the Bank, are analysed as follows:

MZN '000

	Balance as at 1 January 2015	Acquisitions /Allocations	Disposals /Write-offs	Transfers	Balance as at 31 December 2015
Cost					
Real estate properties	3,221,194	34,756	-	19,347	3,275,297
Works in rented buildings	620,902	1,273	-	110,405	732,581
Equipment					
Furniture	306,519	7,207	-	4,279	318,005
Office equipment	143,869	1,145	-	-	145,014
Computer equipment	1,377,729	55,404	(12,643)	138,160	1,558,650
Interior installations	559,426	57,206	(3,496)	58,187	671,323
Motor vehicles	327,330	75,020	(44,478)	-	357,872
Security equipment	241,858	9,502	-	9,948	261,308
Other tangible assets	42,220	1,075	-	616	43,911
Fixed assets in progress	271,938	224,511	-	(340,942)	155,507
	7,112,985	467,100	(60,617)	-	7,519,468
Accumulated depreciation					
Real estate properties	(165,745)	(72,152)	-	-	(237,897)
Works in rented buildings	(288,278)	(48,474)	-	-	(336,752)
Equipment					
Furniture	(164,258)	(21,522)	-	-	(185,780)
Office equipment	(114,037)	(9,996)	-	-	(124,033)
Computer equipment	(1,102,017)	(132,100)	12,632	-	(1,221,485)
Interior installations	(304,613)	(45,390)	2,446	-	(347,556)
Motor vehicles	(240,689)	(47,710)	44,449	-	(243,950)
Security equipment	(159,959)	(31,124)	-	-	(191,083)
Other tangible assets	(34,838)	(1,918)	-	-	(36,756)
	(2,574,434)	(410,385)	59,527	-	(2,925,292)

23. Goodwill and Other intangible assets

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Intangible assets				
Software	**624,851**	646,087	**555,991**	587,443
Investments in progress	**99,062**	23,217	**85,272**	8,172
	723,912	669,304	**641,263**	595,615
Accumulated depreciation	**(493,604)**	(492,364)	**(442,416)**	(446,334)
	230,308	176,940	**198,847**	149,281
Consolidation and revaluation differences (Goodwill)				
Seguradora Internacional de Moçambique, S.A	**122,313**	122,313	**-**	-
	352,621	299,252	**198,847**	149,281

The movements under the heading of Goodwill and Other intangible assets during 2016, for the Group, are analysed as follows:

MZN '000

	Balance as at 1 January 2016	Acquisitions /Allocations	Disposals /Write-offs	Transfers	Balance as at 31 December 2016
Cost					
Software	646,087	37,305	(68,757)	10,216	624,851
Investments in progress	23,217	89,309	(3,248)	(10,216)	99,062
	669,304	126,614	(72,005)	-	723,912
Goodwill	122,313	-	-	-	122,313
	791,616	126,614	(72,005)	-	846,225
Accumulated depreciation					
Software	(492,364)	(70,116)	68,876	-	(493,604)
Net book value	299,252	56,498	(3,130)	-	352,621

The movements under the heading of Goodwill and Other intangible assets during 2015, for the Group, are analysed as follows:

MZN' 000

	Saldo em 01 Janeiro 2015	Aquisições / Dotações	Transferências	Saldo em 31 Dezembro 2015
Custo				
'Software'	551.070	68.956	26.061	646.087
Investimentos em curso	41.806	7.471	(26.061)	23.217
	592.876	76.427	-	669.304
Goodwill	122.313	-	-	122.313
	715.189	76.427	-	791.617
Amortizações acumuladas				
'Software'	(429.839)	(62.525)	-	(492.364)
Valor líquido	285.350	13.902	-	299.252

The movements under the heading of Other intangible assets during 2016, for the Bank, are analysed as follows:

MZN '000

	Balance as at 1 January 2016	Acquisitions /Allocations	Disposals /Write-offs	Transfers	Balance as at 31 December 2015
Cost					
Software	587,443	37,305	(68,757)	-	555,991
Fixed assets in progress	8,172	77,100	-	-	85,272
	595,615	114,405	(68,757)	-	641,263
Accumulated depreciation					
Software	(446,334)	(64,958)	68,876	-	(442,416)
Net book value	149,281	49,447	119	-	198,847

The movements under the heading of Other intangible assets during 2015, for the Bank, are analysed as follows:

MZN '000

	Balance as at 1 January 2015	Acquisitions /Allocations	Transfers	Balance as at 31 December 2015
Cost				
Software	492,248	69,134	26,061	587,443
Fixed assets in progress	28,815	5,418	(26,061)	8,172
	521,063	74,552	-	595,615
Accumulated depreciation				
Software	(389,047)	(57,287)	-	(446,334)
Net book value	132,016	17,265	-	149,281

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

Pursuant to IAS 36, the recoverable value of goodwill should be the greater figure between its value in use (i.e., the present value of the future cash flows expected from its use) and its fair value minus selling costs. Based on these criteria, in 2016, the Group valued the financial holding for which goodwill is recorded in the assets, having considered, among others, the following factors:

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

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

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

The calculation of the estimated value as at 31 December 2016 of the Bank's 89.914% stake in Seguradora Internacional de Moçambique, SARL (SIM), subject to the annual goodwill impairment test, considered the historical economic and financial information of SIM, the budget for 2017 and its projections for the period of 2018 to 2021, provided by this company. The estimated value was prepared based on the application of market multiples (price-to-earnings ratio (PER) and price-to-book value (PBV)) and the dividend discount model (DDM) method. The projected financial statements have neither been audited nor subject to any adjustments.

The calculation of the estimated value of BIM's financial holding in SIM, and in view of the results arising from the application of the internal valuation methods considered (where the estimates via DDM and PER lead to significantly higher values than the book value of the holding), led to the conclusion that on the present date and according to merely financial criteria as in 2015, it was not necessary to deduct any impairment from the value of the goodwill as at 31 December 2016.

24. Current tax assets and liabilities

MZN '000

	Group 2016		Group 2015	
	Assets	**Liabilities**	Assets	Liabilities
IRPC recoverable	**17,319**	**-**	-	-
IRPC payable	**-**	**926,042**	-	51,143
	17,319	**926,042**	-	51,143

	Bank 2016		Bank 2015	
	Assets	**Subordinated**	Assets	Liabilities
IRPC recoverable	**17,319**	**-**	-	-
IRPC payable	**-**	**910,578**	-	34,086
	17,319	**910,578**	-	34,086

25. Deferred tax assets and liabilities

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

MZN '000

	Group 2016		Group 2015	
	Assets	**Liabilities**	Assets	Liabilities
Tangible assets	**10,892**	**11,963**	21,710	11,963
Financial assets available for sale	**-**	**2,777**	-	2,258
Other	**-**	**4,306**	-	3,318
Deferred tax assets/liabilities	**10,892**	**19,046**	21,710	17,538
	(8,154)		4,172	

	Bank 2016		Bank 2015	
	Assets	**Liabilities**	Assets	Liabilities
Tangible assets	**10,892**	-	21,710	-
Deferred tax assets	**10,892**	-	21,710	-

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

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Balance on 1 January	**4,172**	12,584	**21,710**	29,403
Impairment for the year	**(10,817)**	(8,413)	**(10,817)**	(7,693)
Other movements	**(1,508)**	-	**-**	-
	(8,154)	4,172	**10,892**	21,710

26. Other assets

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Debtors	**142,298**	46,676	**179,285**	69,263
Other amounts receivable	**8,527**	-	**84,094**	67,586
Prepayments and deferred costs	**47,392**	29,453	**47,385**	28,994
Balances receivable of the insurance activity	**868,164**	337,983	**-**	-
Miscellaneous accounts	**997,142**	236,905	**996,719**	236,392
Reinsurance provisions assigned	**903,661**	175,131	**-**	-
	2,967,184	829,699	**1,307,483**	402,235
Impairment for other assets	**(83,954)**	(58,230)	**(17,766)**	(13,822)
	2,883,230	771,469	**1,289,717**	388,413

As at 31 December 2016, the heading of Miscellaneous accounts includes the value of 635,625 thousand Meticais (31 December 2015: 76,995 thousand Meticais) relative to cheques of Other credit institutions sent for clearing.

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

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Balance on 1 January	**58,230**	38,579	**13,822**	11,917
Impairment for the year	**21,779**	17,746	-	-
Exchange rate fluctuation	**3,944**	1,905	**3,944**	1,905
Balance at the end of the period	**83,954**	58,230	**17,766**	13,822

27. Amounts owed to other credit institutions

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Resources of the Banco de Moçambique				
Short term loans	-	1,210,032	-	1,210,032
Medium to long term loans	**157,676**	79,498	**157,676**	79,498
Deposits from central banks	**5,832,757**	-	**5,832,757**	-
Resources of other credit institutions in Portugal				
Demand deposits	**108,668**	92,779	**108,668**	92,779
Short term loans	-	988,182	-	988,182
Resources of other credit institutions abroad				
Demand deposits	**115,304**	39,365	**115,304**	39,365
Short term loans	**104,173**	214,646	**104,173**	214,646
Medium to long term loans	**1,459,432**	1,147,500	**1,459,432**	1,147,500
	7,778,010	3,772,002	**7,778,010**	3,772,002

28. Customer funds

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Repayable on demand	**54,075,357**	50,659,063	**54,111,516**	50,688,712
Term deposits	**43,461,177**	38,116,562	**46,292,758**	40,332,635
Other Resources	**282,334**	428,916	**282,334**	428,916
	97,818,868	89,204,541	**100,686,608**	91,450,263

29. Provisions

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Provisions for indirect credit	**541,594**	473,386	**541,594**	473,386
Provisions for general banking risks	**66,596**	59,641	**66,596**	59,641
Provisions for other risks and costs	**143,518**	128,826	**143,518**	128,826
Technical provision of the insurance activity	**4,630,607**	3,744,520	**-**	-
	5,382,315	4,406,373	**751,708**	661,853

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

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Balance on 1 January	**473,386**	396,629	**473,386**	396,629
Impairment for the year	**95,369**	92,874	**95,369**	92,874
Write-back for the year	**(149,956)**	(72,183)	**(149,956)**	(72,183)
Exchange rate differences	**122,795**	56,067	**122,795**	56,067
Balance at the end of the period	**541,594**	473,386	**541,594**	473,386

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

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Balance on 1 January	**59,641**	47,857	**59,641**	47,857
Impairment for the year	**5,469**	8,861	**5,469**	8,861
Exchange rate differences	**9,486**	4,584	**9,486**	4,584
Uses for the year	**(8,000)**	(1,661)	**(8,000)**	(1,661)
Balance at the end of the period	**66,596**	59,641	**66,596**	59,641

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

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

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Balance on 1 January	**128,826**	19,241	**128,826**	19,241
Impairment for the year	**21,438**	112,500	**21,438**	112,500
Reversal for the year	**-**	(2,915)	**-**	(2,915)
Uses for the year	**(6,745)**	-	**(6,745)**	-
Balance at the end of the period	**143,518**	128,826	**143,518**	128,826

The movements under the technical provision of the insurance activity are analysed as follows:

MZN '000

	Group	
	2016	2015
Balance on 1 January	**3,744,520**	3,348,183
Impairment for the year	**956,758**	724,038
Write-back for the year	**(41,861)**	(91,300)
Transfers	**-**	(130,327)
Uses for the year	**-21,667**	(108,821)
Exchange rate differences	**(7,143)**	2,747
Balance at the end of the period	**4,630,607**	3,744,520

30. Subordinated liabilities

MZN '000

	Group		Bank	
	Dec-16	Dec-15	**Dec-16**	Dec-15
Subordinated loans				
BIM bonds 2006 - 2016	**-**	-	**17**	175,611
	-	-	**17**	175,611

31. Other liabilities

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Suppliers	**124,374**	112,224	**100,005**	**94,018**
Miscellaneous creditors	**1,033,922**	754,447	**291,917**	**551,032**
VAT payable	**20,783**	10,394	**18,257**	**10,394**
Tax withholdings	**180,394**	134,379	**158,475**	**120,065**
Social Security contributions	**7,775**	6,899	**7,775**	**6,899**
Costs payable	**350,989**	362,736	**310,881**	**353,673**
Staff costs payable	**608,664**	530,632	**570,714**	**484,314**
Deferred income	**297,706**	156,113	**297,706**	**156,113**
Consigned funds	**23,418**	27,914	**23,418**	**27,914**
Other payables	**380,042**	409,717	**377,542**	**406,922**
	3,028,067	2,505,455	**2,156,690**	2,211,344

32. Share capital

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

As at 31 December 2016, the shareholder structure is presented as follows:

	2016 No. Shares	% Share capital holding	2015 No. Shares	% Share capital holding
BCP África, SGPS	**30,008,460**	**66.69%**	30,008,460	**66.69%**
State of Mozambique	**7,704,747**	**17.12%**	7,704,747	**17.12%**
INSS (National Social Security Institute)	**2,227,809**	**4.95%**	2,227,809	**4.95%**
EMOSE - Empresa Moçambicana de Seguros, SARL	**1,866,309**	**4.15%**	1,866,309	**4.15%**
FDC (Foundation for the Development of the Community)	**487,860**	**1.08%**	487,860	**1.08%**
Managers, Technicians and Employees (GTT)	**2,704,815**	**6.01%**	2,704,815	**6.01%**
	45,000,000	**100.00%**	45,000,000	**100.00%**

33. Reserves and retained earnings

MZN '000

	Group		Bank	
	2016	2015	**2016**	2015
Legal reserve	**3,853,193**	3,344,470	**3,853,193**	3,344,470
Other reserves and retained earnings	**9,973,947**	8,751,008	**8,633,069**	7,422,213
Net income for the year	**4,950,639**	3,677,928	**4,509,677**	3,493,636
	18,777,779	15,773,406	**16,995,939**	14,260,319

Under the terms of the Mozambican legislation in force, Law number 15/99 - Credit Institutions, the Bank should reinforce the legal reserve on an annual basis by at least 15% of the annual net profit, until the reserve equals the share capital, where this reserve is not distributable. Pursuant to the net profit for the financial year of 2015, the Bank allocated the value of 508,723 thousand Meticais to the legal reserve in 2016 (2015: 524,045 thousand Meticais).

34. Dividends

Pursuant to the deliberation of the Ordinary General Meeting held on 31 March 2016, the Board of Directors decided to distribute 35% of the Net Income recorded as at 31 December 2015, after the constitution of the Legal Reserve, to the value of 1,187,020 thousand Meticais (2015: 1,222,773 thousand Meticais).

35. Guarantees and future commitments

The off-balance sheet values are analysed as follows:

MZN '000

	Group 2016	Group 2015	Bank 2016	Bank 2015
Guarantees provided				
Personal guarantees	**24,912,165**	23,047,092	**24,912,165**	23,047,092
Asset-backed guarantees	**5,772,947**	1,043,439	**5,772,947**	1,043,439
Guarantees received				
Personal guarantees	**273,020,840**	243,318,745	**273,020,840**	243,318,745
Asset-backed guarantees	**90,193,419**	64,109,570	**90,193,419**	64,109,570
Commitments to third parties	**13,571,880**	13,368,284	**13,571,880**	13,368,284
Spot foreign exchange transactions:				
Purchases	**27,133**	256,661	**27,133**	256,661
Sales	**27,239**	245,314	**27,239**	245,314
Forward foreign exchange transactions:				
Purchases	**386,903**	390,340	**386,903**	390,340
Sales	**377,313**	373,939	**377,313**	373,939

36. Related parties

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

MZN '000

	2016 Assets: Disposable Assets of CIs	2016 Assets: Investments of CIs	2016 Assets: Other Assets	2016 Off-balance sheet: Asset-backed guarantees	2015 Assets: Disposable Assets of CIs	2015 Assets: Investments of CIs	2015 Assets: Other Assets	2015 Off-balance sheet: Asset-backed guarantees
Banco Comercial Português S.A.	**440,357**	**1,631**	**-**	**-**	757,796	183,603	-	-
Millennium bcp Bank & Trust (Cayman)	**3,024**	**10,121**	**-**	**9,989**	2,001	6,435	-	6,426
Seguradora Internacional de Moçambique,SA	**-**	**-**	**111,878**	**-**	-	-	111,878	-
	443,381	**11,752**	**111,878**	**9,989**	759,797	190,037	111,878	6,426

MZN '000

	2016: Securities Issued of CIs	2016: Customer Deposits	2016: Other liabilities	2016: Subordinated Liabilities	2015: Securities Issued of CIs	2015: Customer Deposits	2015: Other liabilities	2015: Subordinated Liabilities
Banco Comercial Português S.A.	**14,096**	**-**	**299,374**	**-**	10,879	-	538,373	-
Millennium BCP Partic SGPS LDA	**-**	**38,534**	**-**	**-**	-	35,800	-	-
Millennium BCP Africa SGPS	**6**	**-**	**-**	**-**	-	-	-	-
Seguradora Internacional de Moçambique,SA	**-**	**2,867,740**	**-**	**17**	-	2,245,721	-	175,636
	14,096	**2,906,274**	**299,374**	**17**	10,879	2,281,521	538,373	175,636

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

MZN '000

	2016			2015		
	Operating income			Operating income		
	Interest and equivalent Income	Earnings from services and commissions	Other income op. income	Interest and income Income	Earnings from services and commissions	Other income op. income
Banco Comercial Português S.A.	1,498	-	-	299	-	-
Millennium bcp Bank & Trust (Cayman)	116	-	-	40	-	-
Seguradora Internacional de Moçambique,SA	-	49,782	72,054	-	63,330	59,059
	1,613	49,782	72,054	339	63,330	59,059

MZN '000

	2016				2015			
	Operating costs				Operating costs			
	Interest and equivalent Income	Earnings from services and commissions	Staff costs	Other admin. costs	Interest and similar costs	Earnings from services and commissions	Staff costs	Other admin. costs
Banco Comercial Português S.A.	-	-	-	652,013	299	-	-	479,468
Millennium BCP Partic SGPS LDA	-	-	-	-	4,232	-	-	-
Millennium BCP Africa SGPS	-	-	-	-	-	-	-	-
Seguradora Internacional de Moçambique,SA	259,457	-	112,216	153,699	117,770	-	100,821	141,692
	259,457	-	112,216	805,712	122,301	-	100,821	621,160

Loans to members of the Management and Supervisory Boards and their direct family, recorded as at 31 December 2016, reached 7,650 thousand Meticais (2015: 7,874 thousand Meticais). These loans were granted in accordance with the applicable legal and regulatory standards.

As at 31 December 2016, Deposits stood at 182,306 thousand Meticais (2015: 364,293 thousand Meticais).

37. Cash and cash equivalents

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

MZN '000

	Group		Bank	
	2016	2015	2016	2015
Available funds in cash	4,924,787	3,976,273	4,924,787	3,976,273
Available funds in domestic credit institutions	63,918	155,596	62,175	154,095
Available funds in credit institutions abroad	1,166,324	1,732,359	1,166,324	1,732,359
	6,155,029	5,864,228	6,153,286	5,862,727

38. Fair value

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

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

Loans to customers

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

Financial assets available for sale

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

- Level 1: Fair value is determined based on unadjusted quoted prices, captured in transactions in active markets involving financial instruments identical to those instruments to be reviewed. If there is more than one active market for that same financial instrument, the relevant price is what prevails in the instrument's main market, or in the most advantageous market for which access exists.

- Level 2: Fair value is determined based on valuation techniques supported by observable data in active markets, either direct data (prices, rates, spreads, etc.) or indirect data (derived), and valuation assumptions similar to those that an unrelated party would use in estimating the fair value of the same financial instrument.

- Level 3: The fair value is determined based on unobservable data in active markets, using techniques and assumptions that market participants would use to assess the same instruments, including assumptions about the inherent risks, the valuation technique used, inputs used and contemplated review processes of the accuracy of the resulting figures.

Financial assets available for sale by valuation levels, for the Group and the Bank as of 31 December 2016 are:

- Level 1 - Bonds and other fixed-income securities - Treasury Bonds and Bills of the Mozambican State

- Level 3 - Shares and other variable income securities

Customer Deposits

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

Debt securities issued and Subordinated debt

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

39. Other employee benefits

Post-employment benefits

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

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

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

Additionally, there are retirement obligations and pensioners associated with pension supplement allocated through Employee income who have switched institutions acquired by the Group in 2000. The income benefit is reversible in 50% regardless of the number of beneficiaries.

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

Number of participants	2016	2015
Assets	**1,686**	1,792
Retired former employees and pensioners	**525**	502
	2,211	2,294

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

MZN '000

	2016	2015
Projected benefit liabilities		
Retired and pensioners	**(1,028,677)**	(1,014,499)
Employees	**(1,279,678)**	(1,119,369)
	(2,308,355)	(2,133,868)
Value of the assets	**2,165,500**	2,096,916
Net assets/(liabilities) in the balance sheet	**(142,855)**	(36,952)

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

MZN '000

	2016			2015
	Retirement pensions	Retirement pension supplement	Total	Total
Balance as at 01 January	**1,014,499**	**1,119,369**	**2,133,867**	2,003,376
Included in the net income for the year				
Current service cost	**-**	**62,840**	**62,840**	58,196
Interest costs	**78,034**	**88,276**	**166,310**	147,569
Actuarial gains and losses	**17,729**	**88,396**	**106,125**	42,024
Benefits paid	**(81,585)**	**(79,203)**	**(160,788)**	(117,297)
Liabilities at the end of the year	**1,028,677**	**1,279,678**	**2,308,354**	2,133,868

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

MZN '000

	2016		2015	
	+1.00%	**-1.00%**	+1.00%	-1.00%
Discount rate	**-110,981**	**128,996**	-101,090	117,987
Future wage growth	**123,872**	**-108,624**	113,315	-98,930
Future growth of the pension fund	**91,845**	**-79,926**	97,346	-83,048

Other employee benefits - Bank

At the reporting date, the Bank's number of participants is as follows:

Number of participants	2016	2015
Assets	**1,580**	1,682
Retired former employees and pensioners	**525**	502
	2,105	2,184

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

MZN '000

	2016	2015
Projected benefit liabilities		
Retired and pensioners	**(1,028,677)**	(1,014,499)
Employees	**(1,195,639)**	(1,048,836)
	(2,224,316)	(2,063,335)
Value of the assets	**2,333,933**	2,107,881
Net assets/(liabilities) in the balance sheet	**109,618**	44,546
Accumulated actuarial deviations recognised under other comprehensive income	**65,142**	**388**

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

MZN '000

	2016			2015
	Retirement pensions	**Retirement pension supplement**	**Total**	**Total**
Balance as at 01 January	**1,014,499**	**1,048,836**	**2,063,335**	1,950,726
Included in the net income for the year				
Current service cost	**-**	**57,611**	**57,611**	53,728
Interest costs	**78,034**	**82,752**	**160,786**	143,477
Actuarial gains and losses	**17,729**	**76,054**	**93,783**	37,802
Rotation in the Group	-	-	-	(5,101)
Benefits paid	**(81,585)**	**(69,614)**	**(151,199)**	(117,297)
Liabilities at the end of the year	**1,028,677**	**1,195,639**	**2,224,316**	2,063,335

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

		MZN '000
	2016	**2015**
Balance as at 01 January	**2,107,881**	1,958,603
Actuarial gains and losses	**158,537**	77,768
Technical changes associated to Rotation:	**-**	(5,101)
Millennium bim contributions	**54,496**	49,760
Benefits paid by the fund	**(151,199)**	(117,297)
Expected income	**164,218**	144,148
Balance as at 31 December	**2,333,933**	2,107,881

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

		MZN '000
	2016	**2015**
Balance as at 01 January	**(44,546)**	(7,877)
(Gains) and losses - liabilities	93,783	37,802
(Gains) and losses - plan assets	(158,537)	(77,768)
Group's contributions	(54,497)	(49,760)
Attribution of benefits for the year		
Current service cost	57,611	53,728
Net interest cost/(income) in the liability coverage balance	(3,432)	(671)
Balance as at 31 December	**(109,618)**	**(44,546)**

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

	2016	**2015**
Ordinary shares	0.47%	0.47%
Bonds and other fixed income securities	62.20%	51.42%
Real estate properties	30.15%	32.34%
Term Deposits	7.18%	15.77%
	100%	100%

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

		MZN '000
	2016	2015
Current service cost	**57,611**	53,728
Net interest cost/(income) in the liability coverage balance	**(3,432)**	(671)
Cost of the year	**54,179**	53,057

The Bank used the following actuarial assumptions as at the closing date for the calculation of pension liabilities (as a percentage):

	2016	2015
Normal retirement age:		
Men	60	60
Women	55	55
Wage Growth	6.50%	6.50%
Growth of pensions	4.00%	4.00%
Rate of return of the fund	8.00%	8.00%
Discount rate	8.00%	8.00%
Mortality tables	PF 60/64	PF 60/64

As at 31 December 2016, the weighted average duration of the liabilities is 18 years (2015: 19 years).

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

MZN '000

	2016		2015	
	+1.00%	**-1.00%**	+1.00%	-1.00%
Discount rate	**-102,684**	**119,193**	-93,684	109,196
Future wage growth	**114,357**	**-100,416**	104,761	-91,586
Future growth of the pension fund	**206,201**	**-180,342**	157,797	-128,775

Other long term benefits - seniority bonus

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

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

MZN '000

	Group		Bank	
	2016	2015	2016	2015
Seniority bonus	**120,817**	99,998	**108,330**	90,584

40. Consolidated income statement by operating segment

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

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

Segments description

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

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

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

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

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

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

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

Activity of the business segments as at 31 December 2016

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

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

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

MZN '000

31 December 2016	Retail Banking	*Corporate Banking*	Insurance	Other	Consolidated total
Net Interest Income	3,265,261	5,922,020	523,438	-	**9,710,719**
Earnings from services and commissions	1,128,520	1,049,380	(48,429)	-	**2,129,471**
Net income from financial transactions	750,945	767,241	236,205	(5,323)	**1,749,068**
Other operating income	271,534	177,137	3,032,650	(2,523,560)	**957,761**
Total operating income	**5,416,260**	**7,915,778**	**3,743,864**	**(2,528,883)**	**14,547,019**
Staff costs	1,390,012	1,011,078	207,179	(112,216)	**2,496,053**
Other administrative costs	1,497,147	1,090,400	113,688	(153,699)	**2,547,536**
Amortisation for the year	301,662	194,914	18,980	17,164	**532,720**
Total operating costs	**3,188,821**	**2,296,392**	**339,847**	**(248,751)**	**5,576,309**
Loan impairment	441,832	1,202,466	-	-	**1,644,298**
Other provisions	(7,360)	(20,030)	376,065	-	**348,675**
Pre-tax profit	**1,792,967**	**4,436,950**	**3,027,952**	**(2,280,132)**	**6,977,737**
Taxes	442,025	1,278,215	925,179	(682,179)	**1,963,240**
Non-controlling interests	-	-	-	63,858	**63,858**
Net Income for the Year Attributable to Shareholders	**1,350,942**	**3,158,735**	**2,102,773**	**(1,661,811)**	**4,950,639**

MZN '000

31 December 2016	Retail Banking	*Corporate Banking*	Insurance	Other	Consolidated total
Written-off					
Loans to Customers	21,035,084	57,248,026	-	-	78,283,110
Liabilities					
Customer deposits	57,394,421	40,424,447	-	-	97,818,868

MZN '000

31 December 2015	Retail Banking	*Corporate Banking*	Insurance	Other	Consolidated total
Net Interest Income	2,370,769	3,448,178	336,349	2,192	**6,157,488**
Earnings from services and commissions	1,168,027	863,753	(58,765)	-	**1,973,015**
Net income from financial transactions	748,273	891,667	101,645	-	**1,741,585**
Other operating income	254,375	208,083	1,100,733	(414,558)	**1,148,633**
Total operating income	**4,541,444**	**5,411,681**	**1,479,962**	**(412,366)**	**11,020,721**
Staff costs	1,285,567	742,999	168,559	(100,821)	**2,096,304**
Other administrative costs	1,295,310	800,445	88,485	(141,693)	**2,042,547**
Amortisation for the year	304,239	163,433	16,257	17,164	**501,093**
Total operating costs	**2,885,116**	**1,706,877**	**273,301**	**(225,350)**	**4,639,944**
Loan impairment	368,493	724,383	-	-	**1,092,876**
Other provisions	59,073	116,127	479,186	-	**654,386**
Pre-tax profit	**1,228,762**	**2,864,294**	**727,475**	**(187,016)**	**4,633,515**
Taxes	232,220	469,350	194,913	-	**896,483**
Non-controlling interests	-	-	-	52,147	**52,147**
Net Income for the Year Attributable to Shareholders	**996,542**	**2,394,944**	**532,562**	**(239,163)**	**3,684,885**

MZN '000

31 December 2015	Retail Banking	*Corporate Banking*	Insurance	Other	Consolidated total
Activo					
Loans to Customers	22,365,285	43,965,695	-	-	66,330,980
Liabilities					
Customer deposits	51,695,628	37,508,912	-	-	89,204,541

41. Risk management

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

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

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

Main Types of Risk

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

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

Liquidity - Liquidity Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

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

Market Risk

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

Interest Rate Risk

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

Exchange Rate Risk

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

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

(i) – Sensitivity and Gap analysis (interest rate differential)

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

MZN '000

Group							
31 December 2016	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Written-off							
Cash and deposits at Banco de Moçambique	20,136,892	-	-	-	-	-	20,136,892
Loans and advances to other credit institutions	1,230,242	-	-	-	-	-	1,230,242
Deposits in banks	10,006,357	1,147,067	454,399	-	-	4,896	11,612,719
Loans to customers	28,044,795	28,886,095	6,377,530	2,270,069	12,620,661	83,960	78,283,110
Financial assets available for sale	1,897,500	200,000	4,926,811	1,771,134	1,250,143	(462,745)	9,582,843
Financial assets held to maturity	-	240,477	3,121,156	3,655,961	545,489	72,671	7,635,754
Other assets	-	-	-	-	-	9,977,158	9,977,158
Total assets	**61,315,786**	**30,473,639**	**14,879,896**	**7,697,164**	**14,416,293**	**9,675,940**	**138,458,718**
Liabilities							
Deposits from other credit institutions	1,813,150	4,284,836	518,302	648,636	486,477	26,609	7,778,010
Customer Deposits	65,028,878	9,624,826	22,285,252	17,522	-	862,390	97,818,868
Other liabilities	-	-	-	-	-	9,355,470	9,355,470
Total liabilities	**66,842,028**	**13,909,662**	**22,803,554**	**666,158**	**486,477**	**10,244,469**	**114,952,348**
Total liabilities and equity	**66,842,028**	**13,909,662**	**22,803,554**	**666,158**	**486,477**	**33,750,839**	**138,458,718**
Interest rate risk gaps	**(5,526,242)**	**16,563,977**	**(7,923,658)**	**7,031,006**	**13,929,816**	**(24,074,899)**	**-**
Accumulated interest rate risk gap	**(5,526,242)**	**11,037,735**	**3,114,077**	**10,145,083**	**24,074,899**	**-**	**-**

31 December 2015	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Total assets	41,382,399	11,273,156	57,542,374	1,497,353	1,229,323	7,503,699	120,428,304
Total liabilities and equity	68,391,470	10,478,948	12,049,804	621,006	730,227	28,156,849	120,428,304
Accumulated interest rate risk gap	(27,009,071)	(26,214,863)	19,277,707	20,154,054	20,653,150	-	-

MZN '000

Bank							
31 December 2016	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Written-off							
Cash and deposits at Banco de Moçambique	20,136,892	-	-	-	-	-	20,136,892
Loans and advances to other credit institutions	1,228,499	-	-	-	-	-	1,228,499
Deposits in banks	10,003,995	1,138,067	454,399	-	-	1,744	11,598,205
Loans to customers	28,044,795	28,886,095	6,377,530	2,270,069	12,620,661	83,960	78,283,110
Financial assets available for sale	1,897,500	200,000	4,500,000	1,557,728	1,250,143	(527,491)	8,877,880
Financial assets held to maturity	-	-	1,815,955	3,655,961	545,489	49,663	6,067,068
Other assets	-	-	-	-	-	7,587,896	7,587,896
Total assets	**61,311,681**	**30,224,162**	**13,147,884**	**7,483,758**	**14,416,293**	**7,195,772**	**133,779,550**
Liabilities							
Deposits from other credit institutions	1,813,150	4,284,836	518,302	648,636	486,477	26,609	7,778,010
Customer Deposits	67,357,688	9,629,703	22,811,435	17,522	-	870,260	100,686,608
Subordinated liabilities	-	-	-	-	-	17	17
Other liabilities	-	-	-	-	-	3,818,976	3,818,976
Total liabilities	**69,170,838**	**13,914,539**	**23,329,737**	**666,158**	**486,477**	**4,715,862**	**112,283,611**
Total liabilities and equity	**69,170,838**	**13,914,539**	**23,329,737**	**666,158**	**486,477**	**26,211,801**	**133,779,550**
Interest rate risk gaps	**(7,859,157)**	**16,309,623**	**-10,181,853**	**6,817,600**	**13,929,816**	**(19,016,029)**	**-**
Accumulated interest rate risk gap	**(7,859,157)**	**8,450,466**	**-1,731,387**	**5,086,213**	**19,016,029**	**-**	**-**

31 December 2015	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Total assets	41,380,898	11,273,156	57,376,080	182,120	612,148	6,241,101	117,065,503
Total liabilities and equity	70,254,052	10,483,712	12,593,782	621,006	730,227	22,382,724	117,065,503
Accumulated interest rate risk gap	(26,419,412)	(20,006,208)	12,870,233	12,390,329	13,375,279	-	-

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

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

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

(iii) – Exchange Rate Risk

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

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

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

Group						MZN' 000
	2016			2015		
	US Dollars	Other foreign currency	Total	US Dollars	Other foreign currency	Total
Written-off						
Cash and deposits at Banco de Moçambique	6,282,615	317,084	6,599,700	1,396,642	240,079	1,636,720
Available funds in other credit institutions	393,319	772,923	1,166,242	904,427	828,174	1,732,600
Investments in credit institutions	10,662,497	-	10,662,497	6,622,764	54,997	6,677,760
Loans to Customers	18,046,617	1,621,553	19,668,170	13,301,907	948,320	14,250,227
Financial assets available for sale	-	1,547	1,547	-	-	-
Other assets	25,694	1,313	27,007	573	99	673
	35,410,742	2,714,420	38,125,163	22,226,312	2,071,669	24,297,981
Liabilities						
Deposits of other credit institutions	7,438,801	18,967	7,457,768	1,247,952	156,199	1,404,151
Customer deposits	26,734,185	2,004,781	28,738,966	21,109,389	1,181,987	22,291,377
Provisions	767,135	34,684	801,819	465,700	25,447	491,147
Other liabilities	335,065	539,592	874,657	266,568	662,587	929,155
	35,275,186	2,598,024	37,873,210	23,089,609	2,026,221	25,115,830
OVERALL OPERATING POSITION	135,556	116,396	251,953	(863,296)	45,447	(817,849)

Bank						MZN' 000
	2016			2015		
	US Dollars	Other foreign currency	Total	US Dollars	Other foreign currency	Total
Written-off						
Cash and deposits at Banco de Moçambique	6,282,615	317,084	6,599,700	1,396,642	240,079	1,636,720
Available funds in other credit institutions	393,319	772,142	1,165,462	904,427	827,932	1,732,359
Investments in credit institutions	10,662,497	0	10,662,497	6,622,764	54,693	6,677,456
Loans to Customers	18,046,617	1,621,553	19,668,170	13,301,907	948,320	14,250,227
Financial assets available for sale	-	1,547	1,547	-	-	-
Other assets	25,694	123	25,817	573	82	655
	35,410,742	2,712,449	38,123,192	22,226,312	2,071,105	24,297,418
Liabilities						
Deposits of other credit institutions	7,438,801	18,967	7,457,768	1,247,952	156,199	1,404,151
Customer deposits	27,248,511	2,036,662	29,285,174	21,433,848	1,215,153	22,649,001
Provisions	307,200	25,613	332,813	193,008	21,354	214,362
Other liabilities	241,981	515,083	757,064	299,977	651,874	951,851
	35,236,494	2,596,325	37,832,819	23,174,784	2,044,580	25,219,364
OVERALL OPERATING POSITION	174,249	116,124	290,373	(948,471)	26,525	(921,946)

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

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

Liquidity Risk

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

						MZN '000
		Group				
31 December 2016	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**Total**
Written-off						
Cash and deposits at Banco de Moçambique	20,136,892	-	-	-	-	20,136,892
Loans and advances to other credit institutions	1,230,242	-	-	-	-	1,230,242
Deposits in banks	10,007,738	1,150,582	454,399	-	-	11,612,719
Loans to customers	22,070,474	3,749,031	8,362,936	12,101,232	34,732,718	81,016,391
Financial assets available for sale	1,338,483	204,880	4,714,903	1,984,112	1,340,465	9,582,843
Financial assets held to maturity	-	-	3,400,031	3,683,820	551,903	7,635,754
Total assets	**54,783,829**	**5,104,493**	**16,932,269**	**17,769,164**	**36,625,086**	**131,214,841**
Liabilities						
Deposits from other credit institutions	1,819,952	4,304,315	518,630	648,636	486,477	7,778,010
Customer Deposits	65,891,267	9,624,827	22,285,252	17,522	-	97,818,868
Total liabilities	**67,711,219**	**13,929,142**	**22,803,882**	**666,158**	**486,477**	**105,596,878**
Liquidity Gaps	**(12,927,390)**	**(8,824,649)**	**(5,871,613)**	**17,103,006**	**36,138,609**	**25,617,963**
Accumulated Liquidity Gap	**(12,927,390)**	**(21,752,039)**	**(27,623,652)**	**(10,520,646)**	**25,617,963**	
31 December 2015	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	
Total assets	26,556,692	8,173,270	23,514,721	18,781,831	36,940,176	113,966,690
Total liabilities	62,799,026	8,880,495	19,724,721	449,621	-	91,853,863
Accumulated Liquidity Gap	(36,242,334)	(36,949,559)	(33,159,559)	(14,827,349)	22,112,827	-

MZN '000

	Bank					
31 December 2016	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	Total
Written-off						
Cash and deposits at Banco de Moçambique	20,136,892	-	-	-	-	20,136,892
Loans and advances to other credit institutions	1,228,499	-	-	-	-	1,228,499
Deposits in banks	10,005,377	1,138,429	454,399	-	-	11,598,205
Loans to customers	22,070,474	3,749,031	8,362,936	12,101,232	34,732,718	81,016,391
Financial assets available for sale	1,337,843	200,000	4,500,000	1,557,728	1,282,309	8,877,880
Financial assets held to maturity	-	-	1,831,344	3,683,820	551,903	6,067,067
Total assets	**54,779,085**	**5,087,460**	**15,148,679**	**17,342,780**	**36,566,930**	**128,924,934**
Liabilities						
Amounts owed to other credit institutions	1,819,952	4,304,315	518,630	648,636	486,477	7,778,010
Customer funds	68,227,948	9,629,703	22,811,435	17,522	-	100,686,608
Subordinated liabilities	17	-	-	-	-	17
Total liabilities	**70,047,917**	**13,934,018**	**23,330,065**	**666,158**	**486,477**	**108,464,635**
Liquidity Gaps	**(15,268,832)**	**(8,846,558)**	**(8,181,386)**	**16,676,622**	**36,080,453**	**20,460,299**
Accumulated Liquidity Gap	**(15,268,832)**	**(24,115,390)**	**(32,296,776)**	**(15,620,154)**	**20,460,299**	**-**

31 December 2015	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years	Total
Total assets	26,525,159	8,173,270	23,348,427	17,466,599	36,298,919	111,812,374
Total liabilities	64,671,006	8,885,259	20,453,152	658,257	730,227	95,397,901
Accumulated Liquidity Gap	(38,145,847)	(38,857,836)	(35,962,561)	(19,154,219)	16,414,473	-

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

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

Operating Risk

The Bank has adopted principles and practices that ensure efficient management of the operational risk, especially through the definition and documentation of these principles and through implementation of the respective control mechanisms. Examples of this include segregation of duties, lines of responsibilities and respective authorisations, the limits of tolerance and exposure to risks; the ethical codes and codes of conduct; the key risk indicators; the access controls, both physical and logical; the reconciliation activities; the exception reports; the contracting of insurance; the planning of contingencies; the internal training on processes, products and systems, among other measures.

42. Solvency

The own funds of Banco Internacional de Moçambique are determined according to the applicable regulatory rules, namely the provisions in Banco de Moçambique Notice number 12/GBM/2013. The total own funds result from the adding the Core capital (Tier 1) to the complementary own funds (Tier 2) and subtracting the component of Deductions.

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

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

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

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

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

Capital Disclosures

MZN '000

		2016	2015
CORE OWN FUNDS			
Tier 1 Capital			
Paid-up share capital		**4,500,000**	4,500,000
Reserves and retained earnings		**13,135,511**	10,826,325
Intangible assets		**(198,847)**	(149,281)
Shortfall in provisions		**(2,053,152)**	(2,903,627)
	Total Tier 1 Capital	**15,383,512**	12,273,417
Tier 2 Capital			
Subordinated loans		-	35,000
Other		**(639,958)**	9,933
	Total Tier 2 Capital	**(639,958)**	44,933
Deduction to total own funds		**380,763**	116,447
	Eligible own funds	**14,362,791**	12,201,903
Risk weighted assets			
In the balance sheet		**65,942,155**	52,215,172
Off balance sheet		**8,389,220**	6,907,626
Operating risk		**1,323,621**	1,198,818
Market risk		**675,448**	1,164,867
Ratio of adequacy of core own funds (Tier 1)		**20.2%**	20.0%
Ratio of adequacy of own funds (Tier 2)		**-0.8%**	0.1%
	Solvency ratio	**18.8%**	19.8%

43. Risk concentration

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

MZN '000

Sector	Group							2015		2014	
	Deposits from credit institutions	Deposits in banks	Loans to Customers	Financial assets available for sale	Investments held until maturity	Investments in associated companies	Other assets	Total	%	Total	%
Public Sector	-	-	10,177,583	9,519,052	7,635,754	-	-	27,332,389	24.5%	35,645,720	35.6%
Financial institutions	1,230,242	11,612,719	-	6,114	-	-	-	12,849,075	11.5%	8,582,647	8.6%
Agriculture and forestry	-	-	2,204,560	-	-	-	-	2,204,560	2.0%	2,021,822	2.0%
Mining	-	-	1,338,330	-	-	-	-	1,338,330	1.2%	1,231,951	1.2%
Food, beverages and tobacco	-	-	750,774	26,018	-	-	-	776,792	0.7%	1,207,590	1.2%
Textiles	-	-	5,727	-	-	-	-	5,727	0.0%	5,985	0.0%
Paper, printing and publishing	-	-	161,267	-	-	-	-	161,267	0.1%	150,333	0.2%
Chemicals	-	-	2,343,962	-	-	-	-	2,343,962	2.1%	1,900,274	1.9%
Machinery and equipment	-	-	1,984,470	-	-	-	-	1,984,470	1.8%	1,343,614	1.3%
Electricity, water and gas	-	-	6,909,274	-	-	-	-	6,909,274	6.2%	4,261,204	4.3%
Construction	-	-	6,396,475	-	-	-	-	6,396,475	5.7%	5,132,279	5.1%
Trade	-	-	10,850,579	-	-	-	-	10,850,579	9.7%	7,674,176	7.7%
Restaurants and hotels	-	-	1,107,811	-	-	-	-	1,107,811	1.0%	1,317,364	1.3%
Transport and communications	-	-	4,308,713	-	-	17,292	-	4,326,004	3.9%	4,027,975	4.0%
Services	-	-	14,250,111	31,659	-	250,208	-	14,531,978	13.0%	9,498,342	9.5%
Consumer credit	-	-	13,009,554	-	-	-	-	13,009,554	11.7%	13,411,385	13.4%
Mortgage loans	-	-	896,333	-	-	-	-	896,333	0.8%	934,578	0.9%
Other activities	-	-	1,587,590	-	-	-	2,883,230	4,470,820	4.0%	1,802,776	1.8%
	1,230,242	11,612,719	78,283,110	9,582,843	7,635,754	267,500	2,883,230	111,495,398	100.0%	100,150,015	100.0%

MZN '000

Sector	Bank							2016		2015	
	Deposits from credit institutions	Deposits in banks	Loans to Customers	Financial assets available for sale	Investments held until maturity	Investments in subsidiaries	Other assets	Total	%	Total	%
Public Sector	-	-	10,177,583	8,852,812	6,067,068	-	-	25,097,463	23.3%	33,528,106	34.3%
Financial institutions	1,228,499	11,598,205	-	-		356,148	-	13,182,852	12.2%	8,920,058	9.1%
Agriculture and forestry	-	-	2,204,560	-		-	-	2,204,560	2.0%	2,021,822	2.1%
Mining	-	-	1,338,330	-		-	-	1,338,330	1.2%	1,231,951	1.3%
Food, beverages and tobacco	-	-	750,774	-		-	-	750,774	0.7%	1,189,624	1.2%
Textiles	-	-	5,727	-		-	-	5,727	0.0%	5,985	0.0%
Paper, printing and publishing	-	-	161,267	-		-	-	161,267	0.1%	150,333	0.2%
Chemicals	-	-	2,343,962	-		-	-	2,343,962	2.2%	1,900,274	1.9%
Machinery and equipment	-	-	1,984,470	-		-	-	1,984,470	1.8%	1,343,614	1.4%
Electricity, water and gas	-	-	6,909,274	-		-	-	6,909,274	6.4%	4,261,204	4.4%
Construction	-	-	6,396,475	-		-	-	6,396,475	5.9%	5,132,279	5.3%
Trade	-	-	10,850,579	-		-	-	10,850,579	10.1%	7,674,176	7.9%
Restaurants and hotels	-	-	1,107,811	-		-	-	1,107,811	1.0%	1,317,364	1.3%
Transport and communications	-	-	4,308,713	-		-	-	4,308,713	4.0%	4,010,977	4.1%
Services	-	-	14,250,111	25,068		-	-	14,275,179	13.3%	9,248,134	9.5%
Consumer credit	-	-	13,009,554	-		-	-	13,009,554	12.1%	13,411,385	13.7%
Mortgage loans	-	-	896,333	-		-	-	896,333	0.8%	934,578	1.0%
Other activities	-	-	1,587,590	-		-	1,289,717	2,877,307	2.7%	1,419,720	1.5%
	1,228,499	11,598,205	78,283,110	8,877,880	6,067,068	356,148	1,289,717	107,700,627	100.0%	97,701,584	100.0%

44. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for periods beginning after January 1, 2016 and its early application is permitted. The Bank did not anticipate the adoption of the following new standards or amendments in the preparation of these financial statements.

Until the date of authorization of the consolidated financial statements for the year ended December 31, 2016, the following standards and interpretations were issued but had not yet been adopted:

Disclosure Initiative (Amendment to IFRS 7)

The amendments provide for disclosures that enable users of the financial statements to evaluate the changes in liabilities resulting from financing activities, including changes resulting from cash flow and non-monetary changes. This includes reconciliation between the opening and closing balances of the liabilities arising from financing activities.

The amendments apply prospectively to annual periods beginning on or after January 1, 2017 and early adoption is permitted.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IFRS 12)

The amendments provide further guidance on the existence of deductible temporary differences, which depend only on the comparison of the carrying amount of an asset and its tax base at the end of the reporting period and are not affected by any future changes of the carrying amount or expected mode of asset recovery.

The amendments also provide further guidance on the methods used to calculate the future taxable income to determine if a deferred tax asset can be recognised.

Guidance is provided when an entity can assume that it will retrieve an asset compared to its carrying amount, provided that there is sufficient evidence that the entity is likely to reach that goal.

Guidelines are provided for deductible temporary differences related to unrealised losses which are not evaluated separately for recognition. These are evaluated on a combined basis, unless a tax law restricts the use of losses to income deductions of a specific type.

The amendments apply to annual periods beginning on or after January 1, 2017 and early application is permitted.

IFRS 15 - Revenue from contracts with Customers

This standard revokes IFRS 11 - Construction Contracts, IFRS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets to Customers and SIC 31 - Revenue - Barter Transactions Involving Advertising Services.

The standard contains a single template that applies to contract with customers and two approaches to revenue recognition: once or over time. The template presents a contract of transaction analysis based on five steps to determine how and when the revenue is recognised.

This new standard will probably have a significant impact on the Bank, which will include a possible change in the time of when the revenue and the value of the revenue is recognised. The Bank is currently in the process of implementing a more detailed assessment of the impact of this standard on the Bank and will provide more information in the financial statements for the year ended December 31, 2016.

The standard is effective for annual periods beginning on or after January 1, 2018 and early adoption is permitted.

IFRS 9 - Financial instruments

On July 24, 2014, the IASB issued the final Standard regarding the NIRF 9 Financial Instruments, which revokes previous versions of the NIRF 9 and concludes the IASB project to revoke the IFRS 39 Financial Instruments: Recognition and measurement

This standard will have a significant impact on the Bank, which include changes in the basis of measurement of financial assets of the Group to the amortised cost, the fair value through other comprehensive results or fair value through profit or loss. Even if these categories of measurement are similar to the IFRS 39, the classification criteria for these categories are significantly different. In addition, the impairment model of the NIRF 9 has changed from a model of "incurred loss" of the IFRS 39 to a model of "expected credit loss", which is expected to increase the provision for doubtful receivables recognised in the Bank.

The standard is effective for annual periods beginning on or after January 1, 2018 and early adoption is permitted.

To date the Bank has not quantified the impacts of this standard, although the NIRF 9 is expected to have significant impact on the Bank.

Clarification on the accounting for share-based payments (Amendment to NIRF 2)

Currently, there is no ambiguity about how a business should account for certain types of agreement of share-based payment. The IASB responded by publishing amendments to the NIRF 2 Share-based Payment

The amendments cover three accounting areas:

- Measurement of share-based payment transactions and paid in cash transactions - The new requirements do not change the total value of expense that is recognised as a last resort, because the total value of a share-based payment and paid in cash is still equal to the amount paid in settlement.
- Classification of share-based payment transactions settled net of withholding tax - The amendments introduce an exception, indicating that, for classification purposes, a share-based payment transaction to collaborators is accounted for as settled with equity if certain criteria are met.
- Accounting for a modification of a share-based payment transaction settled in cash settled with equity. The amendments clarify the approach that businesses should apply.

The new requirements may affect the classification and/or measurement of these agreements - and, potentially, the time and value of the expense recognised for new and outstanding premiums. The amendments are effective for annual periods beginning on or after January 1, 2018.

NIRF 16 Lease

The NIRF 16 was published in January 2016. It sets out the principles for recognition, measurement, presentation and disclosure of leases for both parties of a contract, that is, the client ("lessee") and the supplier ("lessor"). The NIRF 16 revokes the previous lease standard, IFRS 17 Leases and related Interpretations. The NIRF 16 presents a model for lessees that will result in almost all the locations being included in the Financial Position Statement. Significant changes for lessors were not included.

The standard is effective for annual periods beginning on or after January 1, 2018 and early adoption is permitted only if the entity equally adopts the NIRF 15. Transitional requirements are different for the lessees and lessors. The Bank began to assess the potential impact on the financial statements resulting from the application of the NIRF 16. No significant impact is expected for the Bank's financial leases.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to the NIRF 10 and IFRS 28)

The amendments require that the integral gain is recognised when the assets transferred between an investor and its associate or joint venture satisfy the definition of “business activity” in accordance with the NIRF 3 Business Activities Combinations. When the assets transferred do not meet the definition of a business activity, a partial gain in the interests of the investors, associate or joint venture is recognised. The definition of business activity is essential to determine the extent of the gain to be recognised.

The IASB decided to postpone the effective date for these amendments indefinitely. The adoption is still permitted.

KPMG logo

KPMG Auditores e Consultores, SA
Edifício HOLLARD
Rua 1.233, Nº 72 C
Maputo, Mozambique

Telephone: +258 (21) 355 200
Fax: +258 (21) 313 358
Postal Code: 2451
Email: mz-fminformatio@kpmg.com
Web: www.kpmg.co.mz

Report of the Independent Auditors

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

Audit Report on the Financial Statements

Opinion

We have audited the individual and consolidated financial statements of BIM – Banco Internacional de Moçambique, S.A. ("the Company") presented on pages 61 to 128, which consist of the Balance Sheet as at 31 December 2016, and the statements of income and comprehensive income, changes in equity and cash flow for the financial year ended on that date, as well as the notes to the financial statements, as well as the notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, these individual and consolidated financial statements present, in an appropriate form, in all material aspects, the financial position of BIM – Banco Internacional de Moçambique, S.A. as at 31 December 2016, and its financial performance and cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under the terms of these standards are described in the section *Responsibilities of the Auditor for the Audit of the Financial Statements* in of our report. We are independent of the Bank in accordance with the *Code of Ethics for Professional Accountants of the International Federation of Accountants (IESBA Code)* and in accordance with other independence requirements applicable to the conduct of audits of financial statements in Mozambique. We have complied with our ethical responsibilities, pursuant to these requirements and the IESBA Code. We believe that the audit evidence that we obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information consists of the Management report and the declaration of responsibility of the Directors as required by the Commercial Code of Mozambique. The other information does not include the financial statements and our audit report on these financial statements.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any other form of assurance on it.

In connection with our audit of the financial statements, it is our responsibility to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or if it in any other manner appears to contain material distortions. If, based on our work with other information obtained before the date of the present audit report, we conclude that there is a material distortion in this other information, we are obliged to report this fact. We have nothing to report in this regard.

KPMG logo

Responsibilities of the Administration in relation to the financial statements

The directors are responsible for the preparation and appropriate presentation of the individual and consolidated financial statements in accordance with the International Financial Reporting Standards, and for a pertinent internal control system for the preparation and presentation of financial statements in a manner free of material distortions, due to fraud or error.

In the preparation of the individual and consolidated financial statements, the directors are responsible for appraising the capacity of the Bank and Group to continue to operate according to the going concern principle, disclosing, as applicable, issues related to the going concern principle, unless the directors intend to undertake the dissolution of the Bank and cease operations, or have no other alternative but to do so.

Responsibility of the Auditors for the Audit of the Financial Statements

Our objectives are to obtain reliability assurance on whether the individual and consolidated financial statements as a whole are free of material distortions, due to fraud or error, and issue an audit report which includes our opinion. Reliability assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material distortion when it exists. Distortions could arise from fraud or error and are considered material if, individually or as a whole, they could reasonably influence the economic decisions of the users taken based on the financial statements.

As a part of an audit pursuant to the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit and also:

- Identify and assess the risks of material distortion of the financial statements, due to fraud or error, we design and implement audit procedures which tackle these risks and obtain audit evidence that is sufficient and appropriate to substantiate our opinion. The risk of not detecting a material distortion arising from fraud is higher than that arising from error, as fraud may involve collusion, falsification, intentional omissions, false declarations or the derogation of internal control.

- We obtain a relevant comprehension of the internal control for the audit, in order to design audit procedures that are appropriate under the circumstances, but not to express an opinion on the efficacy of the Bank's internal control.

- We appraise the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the directors.

- We conclude on the adequacy of the director's use of the going concern principle and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that might raise significant doubts on the Bank's capacity to continue to operate in accordance with the going concern principle. If we conclude that there is a material uncertainty, we are obliged to draw attention, in the auditor's report, to the related disclosures in the financial statements or, in the event that these disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions might imply that the Bank is no longer operating in accordance the going concern principle at that time.

- We appraise the general presentation, the structure and the content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in order to obtain an appropriate presentation.

KPMG logo

We communicate with the directors on, among other issues, the planned scope and the time limits of the audit and the significant findings of the audit, including any significant flaws in the internal control that we detect during our audit.

(KPMG handwritten)

KPMG

10 March 2017

Maputo

Administration

Declaration of responsibility of the Directors

The Bank's directors are responsible for the preparation and appropriate presentation of the individual and consolidated financial statements which include the Balance Sheet of BIM – Banco Internacional de Moçambique, S.A. and the statements of income and comprehensive income, changes in equity and cash flow for the financial year ended on 31 December 2016, as well as the notes to the financial statements, which include a summary of the main accounting policies and other explanatory notes, pursuant to the International Financial Reporting Standards.

The directors are also responsible for the design, implementation and maintenance of a pertinent internal control system for the preparation and presentation of these individual and consolidated financial statements in a manner free of material distortions, whether due to fraud or error, and appropriate accounting records and an efficient and effective risk management system.

The directors made an appraisal to determine whether the Bank and the Group has capacity to continue to operate with due observance of the going concern principle, and does not have motives to doubt the Bank and the Group's capacity to be able to continue operating under this assumption in the near future.

The auditor is responsible for reporting on whether the individual and consolidated financial statements are appropriately presented in conformity with the International Financial Reporting Standards.

Approval of the individual and consolidated financial standards

The individual and consolidated financial standards for the year ended on 31 December 2016 of BIM – Banco Internacional de Moçambique, S.A., as mentioned in the first paragraph, were approved by the Board of Directors on 10 March 2017 and were signed on its behalf by:

(illegible signature)	*(illegible signature)*
Chairman of the Executive Committee	Chairman of the Board of Directors

REPORT AND OPINION OF THE SUPERVISORY BOARD

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2016

OPINION OF THE SUPERVISORY BOARD

In conformity with the legislation in force, we hereby submit to the Shareholders the summary of the supervisory action exercised at BIM – Banco Internacional de Moçambique, S.A., as well as the opinion on the Consolidated Financial Statements of the Millennium bim Group, the Financial Statements on an individual basis of the Bank and the Report of the Board of Directors relative to the financial year ended on 31 December 2016.

Under the competences of the Supervisory Board we monitored the evolution of the Bank's activity, through the accounting information and meetings held monthly with the Bank's Accounting Department, having obtained the due clarifications and supplementary information whenever requested.

Based on the provided accounting information provided and by means of the elements collected in the Bank's management information systems, we analysed the Bank's operations and checked the respective records and compliance with the rules issued by the supervisory authorities, as well as the general policies, rules and practices that are instituted.

Within the periodicity and to the extent that we considered sufficient, we held meetings with various specific areas, namely the Audit and Compliance Office, Credit and Risk Office, Credit Recovery and Corporate Centre, as well as the External Auditor. Under the scope of our duties, we also participated in the meetings of the Board of Directors.

Regarding the Internal Audit activity, we found that it was focused on enhancing the management of various organic units with the main objective of assessing compliance with the established procedures and principles. We were informed that, as a result of the activity developed, no occurrences were detected that might alter the positive assessment of the risk identification and management systems, of the Bank's internal control.

Concerning the Compliance Office, emphasis was given to the automatic reporting (IT) to GIFIM of transactions suspected of involving money laundering (BK) in "CASH and values" as well as the implementation of the "2nd version" of the Workflow for monitoring BK transactions. Regarding CCD – customer due diligence, new transactional profiles were introduced.

In relations with Correspondent Banks, we highlight an activity related to a questionnaire on Anti-Money Laundering and Terrorist Financing Policies (AML) and conference calls for a better explanation of the Bank's policies.

We monitored the scenario of the evolution of the risk management mechanisms and Stress Tests (Circulars 02/SCO/2013 and 5/SCO/2013 of Notice 20/GBM/2013 of 31 December). From the analysis of the Bank's risk management process, we concluded that it is appropriate to the Bank's current stage of development and complies, in general, with the Risk Management Guidelines and all the other legislation on the matter, disclosed by BM in December 2013. Furthermore, the Supervisory Board ascertained that the Bank's process of automation of the Calculation of Impairment Losses is implemented.

Parecer CF_BIM_CONTAS 31 DEZ 16_10 03 17

Page **1** of **4**
(four initials)

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2016

OPINION OF THE SUPERVISORY BOARD

We maintained regular dialogue with the External Auditors, having monitored the results of their work in diverse areas of the Bank's activity, namely in verification of the internal controls concerning their operational efficacy; as well as in appraisal of the accounting policies on recognition of revenue and their application, and also in relation to the control tests relative to the recording of financial instruments in view of NIC 39 / NIRF 13 policy, having noted that no significant exceptions had been found. Furthermore, we concentrated on the detailed appraisal of the individual analysis made by the Auditors of the Bank's loan portfolio of entities selected based on audit risk criteria (highest exposures and largest entities in default) and on the review of the "Top 20" main exposures for the total loan portfolio and "Top 10" for loans with signs of impairment.

It was the opinion of the External Auditor that the logic inherent to the Bank's impairment model complies with the substantiations and guidelines stipulated by IAS 39.

Special attention was given to the analysis of credit in litigation, especially materially relevant situations with potential impact on the operating account.

During 2016, under the terms of Law 15/99 of 1 November and amendments introduced by Law 9/2004 and Notice 09/GGBM/2007 of 30 March, we were called upon to express an opinion on cases related to credit granted to correlated entities, and on companies or other collective entities, directly or indirectly controlled by the correlated entity, or that are in group relations with it, pursuant to the legislation in force.

Under the terms of the provisions in number 2 of article 42 of the Bank's Memorandum of Association, we appraised the Report of the Independent Auditors, with which we declare being in agreement.

Pursuant to our duties, we examined the Financial Statements, as well as the respective notes, including the accounting policies and valuation criteria that were adopted.

We analysed the Management Report for the financial year of 2016, prepared by the Board of Directors and the proposed appropriation of net income, included therein.

We analysed the main transactions that explain the most significant variations in the Bank's main activity indicators (on an individual basis), which we found had been strongly affected by the exchange rate variation derived from the considerable depreciation of the Metical during the financial year of 2016.

During our activity, we were neither informed of, nor did we observe, any irregularity on the part of the company, its shareholders, employees or others, namely of nature harmful to the interests of the institution or any of its shareholders.

Parecer CF_BIM_CONTAS 31 DEZ 16_10 03 17

Page **2** of **4**
(four initials)

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2016

OPINION OF THE SUPERVISORY BOARD

The Bank's and Consolidated Financial Statements audited by the External Auditor indicate:

- That the Consolidated Balance Sheet of the Bank, BIM – Banco Internacional de Moçambique, S.A., as at 31 December 2016, appropriately reflect the financial situation of the Group and of the Bank;
- That the Consolidated Income Statement and the Bank's Income Statement show a consolidated profit of 4,950.64 million Meticais and a profit for the Bank of 4,509.68 million Meticais, which reflect the result of the activity of the Group and the Bank;
- That the Consolidated Comprehensive Income Statement and the Bank's Comprehensive Income Statement present a comprehensive income of the Group of 4,191.39 million Meticais and a comprehensive income of the Bank of 3,922.64 million Meticais, respectively;
- That the Consolidated Cash Flow Statement and the Bank's Cash Flow Statement present an increase during the year in terms of Cash and cash equivalents of 290.8 million Meticais for the Group and 290.56 million Meticais for the Bank; and
- That the Consolidated Statement of Changes in Equity and the Bank's Statement of Changes in Equity show an Equity, as at 31 December 2016, of 23,506.37 million Meticais for the Group and 21,495.94 million Meticais for the Bank.

  As a result of the verifications made and information obtained:

- We are of the opinion that the Consolidated Financial Statements and the Bank's Financial Statements (composed of the following items of the Group and the Bank: Balance Sheet, Income Statement, Comprehensive Income Statement, Cash Flow Statement and Statement of Changes in Equity and respective notes):

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

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

  iii). Reflect, in a true form, the financial situation of the Group and the Bank as at 31 December 2016, as well as the result of the operations carried out by the Group and by the Bank during the financial year.

Parecer CF_BIM_CONTAS 31 DEZ 16_10 03 17

Page **3** of **4**
(four initials)

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2016

OPINION OF THE SUPERVISORY BOARD

- We are of the opinion that the General Meeting should:

  i). Approve the Accounts relative to the Financial Year of 2016;

  ii). Approve the Management Report of the Board of Directors and the Consolidated Financial Statements of BIM – Banco Internacional de Moçambique, relative to the financial year ended on 31 December 2016;

  iii). Express its praise to the Board of Directors and to all the other employees for the notable manner in which, under their respective competences, they proceeded with the management of the Bank during the year.

Maputo, 10 March 2017

THE SUPERVISORY BOARD

(Illegible signature)
Teotonio Jaime dos Anjos Comiche - Chairman

(Illegible signature)
Daniel Filipe Gabriel Tembe - Member

(Illegible signature)
Eulália Mário Madime - Member

(Illegible signature)
Maria Iolanda Wane - Alternate member

Parecer CF_BIM_CONTAS 31 DEZ 16_10 03 17

Page **4** of **4**

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2016

OPINION OF THE SUPERVISORY BOARD

The Supervisory Board examined the Board of Director's proposal relative to the distribution of the Net Income, of the value of 4,509,677,049.80 Meticais.

In view of BIM's financial robustness, namely due to the pertinence of the eligible own funds, of the value of 14,363 million Meticais, and the comfortable solvency ratio, 18.8%, as well as the natural expectation of the shareholders to see their capital invested in BIM remunerated, the proposal appears appropriate.

As a result of this examination, the Supervisory Board is of the opinion that the General Meeting should approve the proposed Distribution of Net Income as follows:

To the Legal Reserve	15.00%	676,451,557.48	Meticais
To the Free Reserve	47.50%	2,142,096,598.65	Meticais
To the Dividend Stabilisation Reserve	2.50%	112,741,926.24	Meticais
Distribution to the Shareholders	35.00%	1,578,386,967.43	Meticais

Maputo, 10 March 2017

THE SUPERVISORY BOARD

(Illegible signature)
Teotonio Jaime dos Anjos Comiche - Chairman

(Illegible signature)
Daniel Filipe Gabriel Tembe - Member

(Illegible signature)
Eulália Mário Madime - Member

(Illegible signature)
Maria Iolanda Wane - Alternate member

Parecer CF_BIM 2017-03-10 - Resultados 2016

Page **1** of **1**