Millennium
bim

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CHAIRMAN'S STATEMENT

In 2015 we reached another important milestone in our history; a history that began on 25 October 1995, with the creation of a strategic partnership between the Mozambican State and Banco Comercial Português.

From the very beginning, the Bank defined the Customer as the centre of its strategy. Getting to Know the Customers and placing at his disposal a modern Bank that offers a service and financial solutions suited to their needs and expectations, was of fundamental importance.

Twenty years ago we took on this commitment, having been the first Bank of the Mozambican financial system to operate in real time and to introduce the concept of marketable electronic banking channels, with the offer of internet banking, mobile banking and Customer support telephone line services.

Today, in a year in which we commemorate 20 years of our existence, the Bank mirrors the robustness of the Mozambican financial market. Its strong contribution to national development is visible in the use of new technologies to design relevant products and services for people and the business sector, in funding investment and in the constitution of strategic partnerships in new projects that contribute to the stability and development of the financial system, of fundamental importance for the country's prosperity.

During these two decades, the growth of the Mozambican banking system was remarkable. There was an expansion beyond the urban centres, which enabled the financial inclusion of the adult population to increase to about 20%. At the same time, there was greater stabilisation of the market, with increased liquidity, and more credit granted to the economy.

Millennium bim is today a universal commercial bank, which offers products and services suited to all segments. With a network of 169 branches, we are present in every province of the country. Our "M" brings financial services to 58 districts, being the largest and strongest presence in rural areas, reflecting a clear effort to get closer to the population. With a view to increasing access to financial services and offering greater convenience to its Customers, Millennium bim has a network of 458 ATM and 7,268 POS, having also invested in an innovative and easy to use mobile banking platform: Millennium IZI.

Our success is not only measured by age or our distribution network, but also by a conscious and consistent management over the course of successive years of strong financial results.

The profitability profile, level of own funds, and capital adequacy ratio of 20%, which is significantly higher than the 8% imposed by the regulator, reflect the financial strength and solidity of the institution.

The more than 60 prizes received during these 20 years, of which we are very proud, are the recognition of the performance and work that Millennium bim has undertaken and continues to undertake for the progress of Mozambique.

We have achieved these results because we have conquered the trust of our Customers, demonstrated our know-how in conducting a banking business in a sustainable manner and had the capability to, year after year, keep pace with market developments and operate in a way that does not deviate from that which, for us, is a fundamental value: proximity to the Customer.

We were the first Bank to adopt market segmentation. We decentralised the Commercial Area and created regional commercial coordination departments. With this business structure, we believe that we can guarantee greater proximity to our Customers and offer a more adequate value proposition.

We find ourselves at a moment in time when the development of the economy and of the Mozambican financial system offers fertile ground for new investments in innovation and differentiation. We are living through a global shift in the way in which we "conduct banking operations".

Traditional brick-and-mortar banking is giving place to the introduction of new technologies, shortening the distance between Customers and banks and offering greater convenience.

We will continue to demonstrate the ability to develop new ways of conducting banking operations where convenience, efficiency and coverage will always be keywords. With knowledge of the market, strategic vision, financial solidity and a socially responsible attitude, Millennium bim will continue to rise to the challenge of meeting the needs of its Customers, shareholders and other stakeholders.

The year of 2015, characterised by an economic and financial environment vastly different from recent years, was particularly difficult. In this context, the outstanding results presented by the Bank merit a word of gratitude and appreciation to all the Employees of Millennium bim for their commitment, rigour and maintenance of the Group's culture.

In spite of the good results of the past, we need to focus our attention on the future: the next few years will certainly be complicated, in a market that is constantly evolving and growing, requiring a team spirit and outstanding commitment from all Bank employees. Millennium bim will thus pay particular attention to prudential rules, in line with the Regulator's recommendations on risk minimisation, and special attention shall also be given to human development and the careful, transparent and sensible definition of careers.

Against the backdrop of these challenges, a new management team was presented for the 2015-2017 period with a view to leveraging the excellent work of the past 20 years, and take on the forthcoming stages. We thus strengthen our commitment to:

- Place innovation at the service of our company and individual customers;
- Maintain the proximity to our Customers;
- Support projects that are sustainable and that contribute effectively to the economic and social development of the Province and Mozambique;
- Maintain a policy of social responsibility whereby supported projects revert in favour of a real improvement of the quality of life of the population;
- Continue the role of active economic agent in the banking uptake process of Mozambique, so as to offer the population increased access to financial services.

We have reinforced our commitment to being a Bank of Everyone and More for All.

SUMMARY OF INDICATORS

Million Meticais

Indicators	2015	2014	2013	2012	Change % 15/14
Balance sheet					
Total assets	117,066	101,502	85,428	70,647	15.3%
Loans to customers (net)	66,331	56,795	47,921	38,230	16.8%
Total customer funds	91,450	80,412	67,623	56,369	13.7%
Shareholders' equity	18,760	16,552	14,238	11,989	13.3%
Profitability					
Net operating revenues	9,953	8,820	8,040	7,459	12.8%
Operating costs	4,592	4,054	3,681	3,458	13.3%
Impairment and Provisions	1,268	590	463	502	114.8%
Income taxes	702	682	592	523	2.9%
Net income attributable to the Bank's Shareholders	3,391	3,494	3,303	2,976	-2.9%
Cost to income ratio	46.1%	46.0%	45.8%	46.4%	
Return on average equity (ROE)	19.4%	23.0%	25.6%	27.2%	
Return on average total assets (ROA)	3.2%	4.0%	4.3%	4.6%	
Credit Quality					
Loans overdue by more than 90 days / Total loans	4.2%	2.2%	1.7%	2.0%	
doubtful loans/Total loans	4.3%	2.5%	1.8%	2.1%	
Impairment for loan losses / Overdue loans by more than 90 day	141.7%	241.3%	348.0%	354.0%	
Cost of risk	158 p.b.	97 p.b.	91 p.b.	113 p.b.	
Solvency (*)					
Tier I	20.0%	19.0%	21.5%	21.5%	
Total	19.8%	19.0%	21.4%	21.7%	
Business Indicators					
Customers (thousand)	1,454	1,306	1,216	1,173	11.3%
Branches	169	166	157	151	1.8%
Employees	2,351	2,367	2,329	2,298	-0.7%

**Does not include the Net Income for the Year under review*

SUMMARY OF THE REPORT OF THE BOARD OF DIRECTORS

According to the projections of the International Monetary Fund (IMF), the pace of expansion of global activity in 2015 is expected to have fallen to its lowest level since 2009, in a context in which the greater dynamism of developed economies was insufficient to make up for the loss of vigour in emerging markets.

The improvement of monetary conditions as a result of the more expansionary stance of the European Central Bank (ECB), the effective depreciation of the euro, the fall in the cost of energy and the greater neutrality of the fiscal policies of the "periphery" countries gave a boost to the recovery process of the Euro Zone economy.

In the US, the sustainable increase in employment and real disposable income, combined with the low level of interest rates, spurred consumption and residential investment. However, the recession associated to the collapse in the price of oil that devastated the North American energy sector and the appreciation of the dollar had an adverse effect on business investment and exports, resulting in a GDP growth rate similar to that observed in 2014.

The Chinese economy continued to show signs of lacklustre growth over the course of 2015, particularly in the demand components that formed the basis of its growth model, namely exports and investment.

In 2016, the global economy faces complex and varied risks. The negative spiral that has come between the raw materials production sector and the economic environment of emerging economies threatens to continue to restrict the recovery of global demand and cause a correction in international financial markets.

After five consecutive years of growth rates above 7%, the Mozambican economy is expected to have slowed in 2015, with the IMF projecting an expansion of 6.3%. This deceleration in economic growth resulted from the decline in raw material prices that led to a fall in the country's export revenues, and to a slowdown in direct foreign investment. Exchange rate instability, particularly pronounced in November, led the Mozambican government to request an emergency loan from the IMF and to adopt a more restrictive monetary and fiscal policy with a view to restoring economic stability.

Following the rise in the inflation level at the end of 2014, there was a deceleration in the second quarter of 2015. Notwithstanding, the significant weight of imports of goods in the country resulted in an upward inflationary trend in the second half of the year, as a result of the effect of the devaluation of the Metical against major currencies, with an accumulated increase in prices of around 10.55% having been recorded at the end of the year.

In the last quarter of 2015, due to the increase of inflationary pressures, the Mozambican central bank intervened in the market by increasing its reference rates by 225 basis points and the compulsory reserves coefficient by 250 basis points. Therefore, although almost unchanged until that time, the rates of 91-day Treasury Bills increased by 240 basis points.

In 2015, the Bank maintained its strategic focus on the strengthening of its value proposition, namely on automatic channels, through which new financial services were offered to meet the needs of different Customer segments. Millennium bim continued the expansion of the automated distribution network, having introduced 18 new ATM and 1,259 new POS, representing a 4% and 21% increase, respectively.

Innovation and investment in mainly technology-based initiatives were back on the agenda this year, namely with the improvement and upgrade of various applications and the development of new ones. In addition to permitting a more varied and better offer to be made to its Customers, the strategy followed also led to the improvement of operating efficiency, through a better controlled and more efficient workflow. Millennium bim implemented several improvements in the mobile banking platform, offering a more complete, easier to use and more attractive service for

Customers. In this regard, in the last quarter of 2015, a new transaction was introduced in Millennium IZI which allows our Customers to transfer money to any mobile phone number. This transaction allows the beneficiaries of these transfers, even if they do not have an account at Millennium bim or in any other credit institution, to easily create their Electronic Money Account (CME), the IZI Account.

During the same period, the Bank presented the banking service, Millennium bim Já Já, which offers, through the banking agent, a number of banking services to the population in rural areas, substituting the traditional means, through the use of the POS.

At the end of the year, the Bank established an exclusive partnership with Correios de Moçambique to, as a complement to the distribution of postal services, offer banking products and services in its branches, with the objective of promoting the banking uptake and financial inclusion of the population.

Millennium bim signed two contracts with the European Investment Bank to obtain funding with a view to granting credit to Small and Medium-sized Enterprises.

In spite of the difficult economic environment, total assets of the Bank reached 117,066 million meticais, as at 31 December 2015, compared with 101,502 million euros as at 31 December 2014, supported by the growth of loans to customers and the increase in deposits and investments at credit institutions and in the Bank of Mozambique.

Total customer funds grew to 91,450 million meticais as at 31 December 2015, compared to 80,412 million meticais as at 31 December 2014, benefiting from the good performance of the growth of customer deposits, which remained the main funding source of the activity.

Net interest income increased by 5% compared to 2014. It was driven by the positive effect of the volume of interest bearing assets. This growth was possible in spite of the negative effect of the reduction of the market rate in the first three quarters of the year and the higher cost of deposits.

As a result of the economic slowdown and the devaluation cycle of the Metical, there was in increase in overdue loans in 2015. Continuing its conservative and logical policy of balance sheet solidity, Millennium bim set up about twice as many impairments as in the previous year.

Notwithstanding, consolidated net income was positive by 3,737 million meticais in 2015, which is similar to net income of 3,724 million meticais recorded in 2014.

The solvency ratio, as at 31 December 2015, stood at 19.8%, with Tier I having reached 20%, significantly above the minimum limit of 8% recommended by Banco de Moçambique.

The net income of Seguradora Internacional de Moçambique came to 531.9 million meticais, a growth of 14.6% year-on-year, primarily justified by the reduction in the net loss ratio by 38.7%; the growth in revenues in real branches, focused on a mix of products with a good technical margin and, on the other hand, the improved remuneration of assets.

Millennium bim believes that its employees are a key factor of differentiation in the market, and that these, appropriately aligned with corporate values and culture, play a fundamental role in the growth and development of the organisation.

The social responsibility programme of Millennium bim, “More Mozambique for Me”, expresses the positioning of the Bank in its commitment to the community. The initiatives are always planned and given impetus in coordination with local civil society or governmental entities, which are truly aware of the needs and ambitions of the beneficiaries of each initiative. In 2015, Millennium bim developed, once again, various projects in the areas of Sport, Education, Health, Culture and Environment.

The Bank has adhered to the principles of the United Nations Global Pact and of the Business Forum for the Environment (FEMA) since 2003. Following its adherence to the principles of the United

Nations Global Pact, Millennium bim has developed and promoted the guiding human rights principles for the labour and the environment.

[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]
Ricardo David
(Director)

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

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

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

[Illegible Signature]
Moisés Jorge
(Director)

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

[Illegible Signature]
Jorge Manuel de Aguiar Pena
(Director)

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

[Illegible Signature]
Jacinto Zacarias Uqueio
(Director)

SHAREHOLDER STRUCTURE

Meticais

Shareholder	No. 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, S.A.R.L.	1,866,309	4.15%	186,630,900
Foundation for Community Development (FDC)	487,860	1.08%	48,786,000
Other (*)	2,704,815	6.01%	270,481,500
Total	**45,000,000**	**100.00%**	**4,500,000,000**

* Other - 1,700 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
Ricardo David	Director
João Manuel R. T. da Cunha Martins	Director
Jorge Octávio Netos dos Santos	Director
Manuel Alfredo de Brito Gamito	Director
Moisés Jorge	Director
Liliana Marisa Catoja da Costa Lemos	Director
Jorge Manuel de Aguiar Pena	Director
Nuno Pedro da Silva do Carmo Vaz	Director
Jacinto Zacarias Uqueio	Director

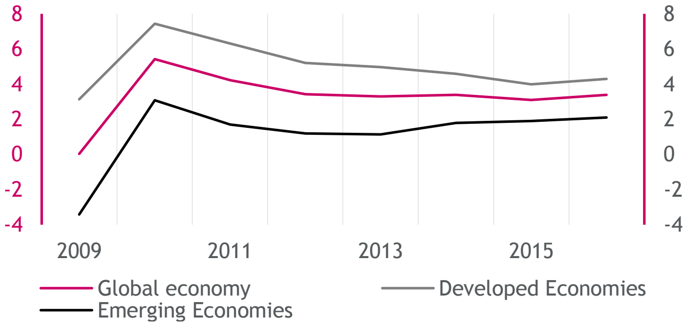
ECONOMIC ENVIRONMENT

World Economy

According to the projections of the International Monetary Fund (IMF), the pace of expansion of global activity in 2015 is expected to have fallen to its lowest level since 2009, in a context in which the greater dynamism of developed economies was insufficient to make up for the loss of vigour in emerging markets. The sharp fall in commodity prices, in addition to having widened the rift between the two groups of economies, intensified global deflationary pressures, creating an environment of greater financial vulnerability, as well as the need to maintain globally accommodating monetary conditions.

The improvement of monetary conditions as a result of the more expansionary stance of the European Central Bank (ECB), the effective depreciation of the euro, the fall in the cost of energy and the greater neutrality of the fiscal policies of the "periphery" countries gave a boost to the recovery process of the Euro Zone economy. In fact, after 0.9% growth in 2014, the European Commission (EC) estimates that GDP grew by 1.6% and that in 2016, the pace of expansion will increase to 1.8%. However, the weakness of emerging economies, the worsening of geopolitical tensions and the risks inherent to the need to continue the structural reforms underway in various Member States might condition the pace of the recovery in the Euro Area.

Annual growth rate of real GDP
in %



Source: IMF WEO (january 2016)

In the US, the sustainable increase in employment and real disposable income, combined with the low level of interest rates, spurred consumption and residential investment. However, the recession associated to the collapse in the price of oil that devastated the North American energy sector and the appreciation of the dollar had an adverse effect on business investment and exports, resulting in a GDP growth rate similar to that observed in 2014, of about 2.4%. In 2016, developments in private consumption are likely to be the pendulum that will determine the robustness of economic growth, which in turn implies a good performance of the labour market, in circumstances hindered by the supposed normalisation of monetary policy and the accompanying intensification of the trend of appreciation of the dollar against the other major international currencies.

The Chinese economy continued to show signs of lacklustre growth over the course of 2015, particularly in the demand components that formed the basis of its growth model, namely exports and investment. The main risk for 2016 lies in the possibility of further weakening associated risk would be capital flight and a consequent deterioration of the financial conditions for Chinese households and companies.

In 2016, the global economy faces complex and varied risks. The negative spiral that has come between the raw materials production sector and the economic environment of emerging economies threatens to continue to restrict the recovery of global demand and cause a correction in international financial markets. In addition, the envisaged increase of the key interest rates by the Federal Reserve and the subsequent worsening of the high debt servicing costs of the US business sector carry a risk of contraction of investment and consumption. Finally, the prevalence of several areas of geopolitical tension and the security issues in Europe constitute obstacles whose effects are difficult to quantify, but which are nonetheless potentially adverse to the consolidation of the economic recovery of the Euro Area.

Economy of Mozambique

After five consecutive years of growth rates above 7%, the Mozambican economy is expected to have slowed in 2015, with the IMF projecting an expansion of 6.3%. This deceleration in economic growth came about due to a decline in raw material prices, particularly gas, coal and aluminium, which led to a fall in the country's export revenues and a slowdown in direct foreign investment, resulting in turn in a worsening of the current account and, as a consequence, in the devaluation of the metical. Exchange rate instability, particularly pronounced in November, led the Mozambican government to request an emergency loan from the IMF and to adopt a more restrictive monetary and fiscal policy with a view to restoring economic stability.

Against this background, concerns with the sustainability of the public debt increased, which led to the downgrading of the credit ratings assigned by international agencies.

For 2016, in spite of the challenging international climate, the IMF forecasts a slight acceleration of te Mozambican economy, underpinned by expected productivity gains in agriculture and by the expansion of coal production, following the inauguration of new transport channels, namely by rail.

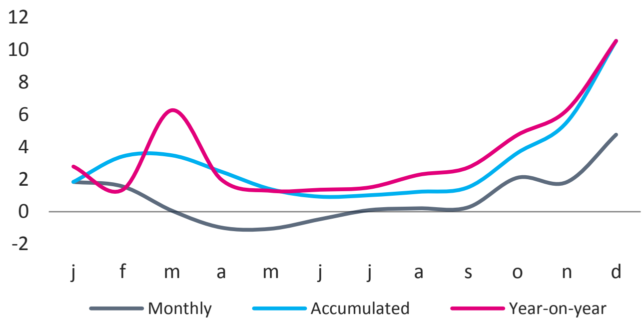
Inflation

Following the increase in the inflation level at the end of 2014, which accelerated during the first quarter of 2015 as a result of the floods in the centre and north of the country, there was a deceleration in the second quarter of the previous year. Thus, in June 2015, year-on-year inflation remained controlled at 1.36%, mainly due to the maintenance of the tariff prices that influence the behaviour of the basket that composes the consumer price index.

Notwithstanding, the significant weight of imports of goods in the country resulted in an upward inflationary trend in the second half of the year, as a result of the effect of the devaluation of the Metical against major currencies. In fact, the figures published by the National Institute of Statistics for December 2015 show a generalised upward trend in prices in the last quarter of the year, with the month of December having recorded the most significant increase of the year, of about 4.76% relative to November.

Inflation rate

in %



Source: Instituto Nacional de Estatística (INE)

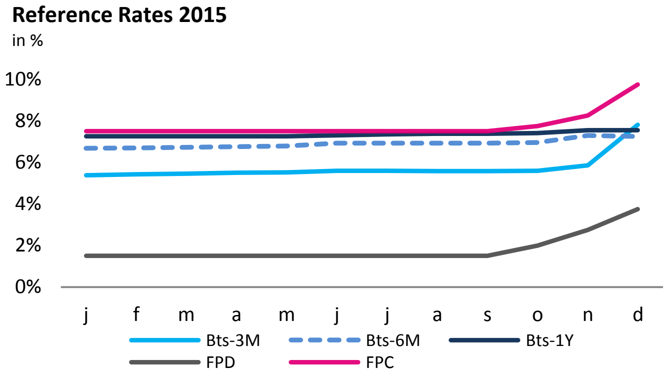
Over the full year of 2015, Mozambique recorded an increase in prices of around 10.55%, strongly influenced by the devaluation of the metical, which countered the one-digit inflation control trend of recent years.

Mozambican Financial System

In the last quarter of 2015, due to the increase in inflationary pressures brought on by the strong depreciation of the metical relative to the major currencies traded on the foreign exchange market and the impact of the adjustment of administered prices that had remained unchanged since 2010, the Banco de Moçambique reoriented its (accommodative) monetary policy, and adopted a restrictive monetary policy. Banco de Moçambique thus intervened in the market by increasing its key interest rates by 225 basis points and the compulsory reserves coefficient by 250 basis points. The liquidity assignment rate increased from 7.5% to 9.75%, the liquidity absorption rate increased from 1.5% to 3.75% and the compulsory reserves coefficient of 8% increased to 10.5% in three successive movements between October and December.

Reference rates

Compared to the same period of 2015, Treasury Bill rates remained virtually unchanged over most of the year. However, with the inversion of the monetary policy in October, the 91-day Treasury bill rate recorded an increase of 240 basis points, with the next issues of longer maturities expected to accompany this trend.



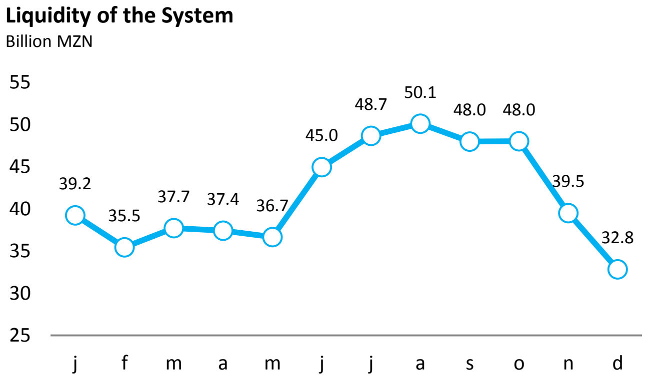
Consequently, the liquidity exchange rate between banks on the Interbank Money Market, which is essentially the overnight rate, also increased significantly from 3.11% to 6.62%.

Evolution interest rates in the IMM

	Dec-14	Dec-15	Change	
91 days	5.37%	7.81%	2.44%	⬆
182 days	6.64%	7.25%	0.61%	⬆
364 days	7.25%	7.55%	0.30%	⬆
Swaps	3.11%	6.62%	3.51%	⬆
FPD	1.50%	3.75%	2.25%	⬆
FPC	7.50%	9.75%	2.25%	⬆

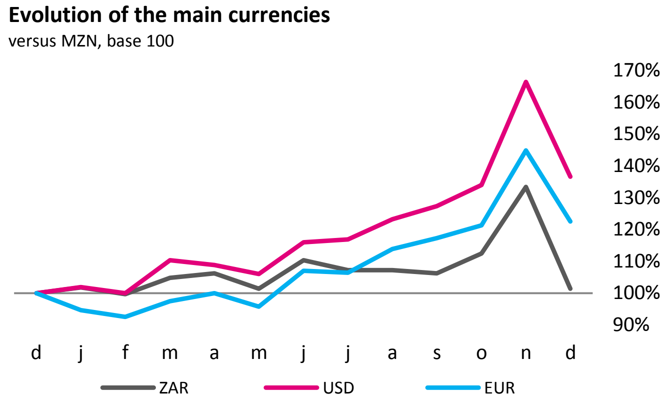
Liquidity of the System

Due to an increase in the level of liquidity of the system, and taking into account the inflationary potential, Banco de Moçambique intervened in the market in order to restrict liquidity. The significant increase in the compulsory reserves coefficient resulted in a substantial change in the liquidity of the system, in spite of being offset by the publication of the Order of Banco de Moçambique which makes fixed-rate Treasury bonds eligible for open market operations.



Evolution of the major currencies relative to the metical

The year of 2015 confirmed the trend of the last quarter of the previous year characterized by a strong instability of the metical relative to the major international currencies, resulting from the sharp and continuous devaluation of the Mozambican currency relative to the US dollar throughout most of the year, which was only tempered in December due to the package of measures adopted by Banco de Moçambique with the aim of restoring stability. According to Banco de Moçambique, the high volatility of the exchange rate that characterized the year of 2015, “reflects the effect of the exogenous shocks that have been affecting the Mozambican economy since the end of 2014, namely the continuous strengthening of the US dollar in the international market, the fall of the international prices of the main goods that Mozambique exports, as well as the reduction of foreign direct investment and external assistance flows, which have been increasing Mozambique's balance of payments deficit”.



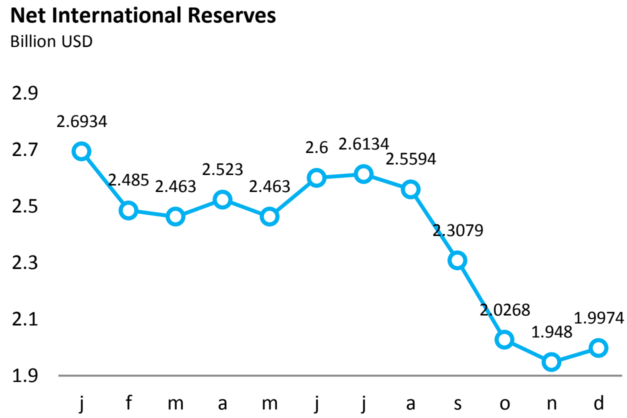
Reference interest rates of Banco de Moçambique at the end of 2015
USD/MZN 45.90, EUR/MZN 50.04 and ZAR/MZN 2.94.

During 2015, the State issued 8,353,418,500 meticais in 3 and 4-year fixed rate Treasury Bonds. The rate of these issues varied between 10.00% and 10.50%.

In the variable rate segment, 8,170,752,000 Reimbursement Securities - 2015 were issued by the Republic of Mozambique in a securitization operation of outstanding VAT owed to exporting companies, led by BIM – Banco Internacional de Moçambique, S.A. and Moza Banco, S.A.

Evolution of the balance of net international reserves 2015

Net International Reserves fell from USD 2,861.5 million in 2014 to USD 1,997.4 million in 2015. At the end of the year, the balance of Gross International Reserves corresponded to 3.84 months of coverage of imports of non-factorial goods and services, when the operations of major projects are excluded.

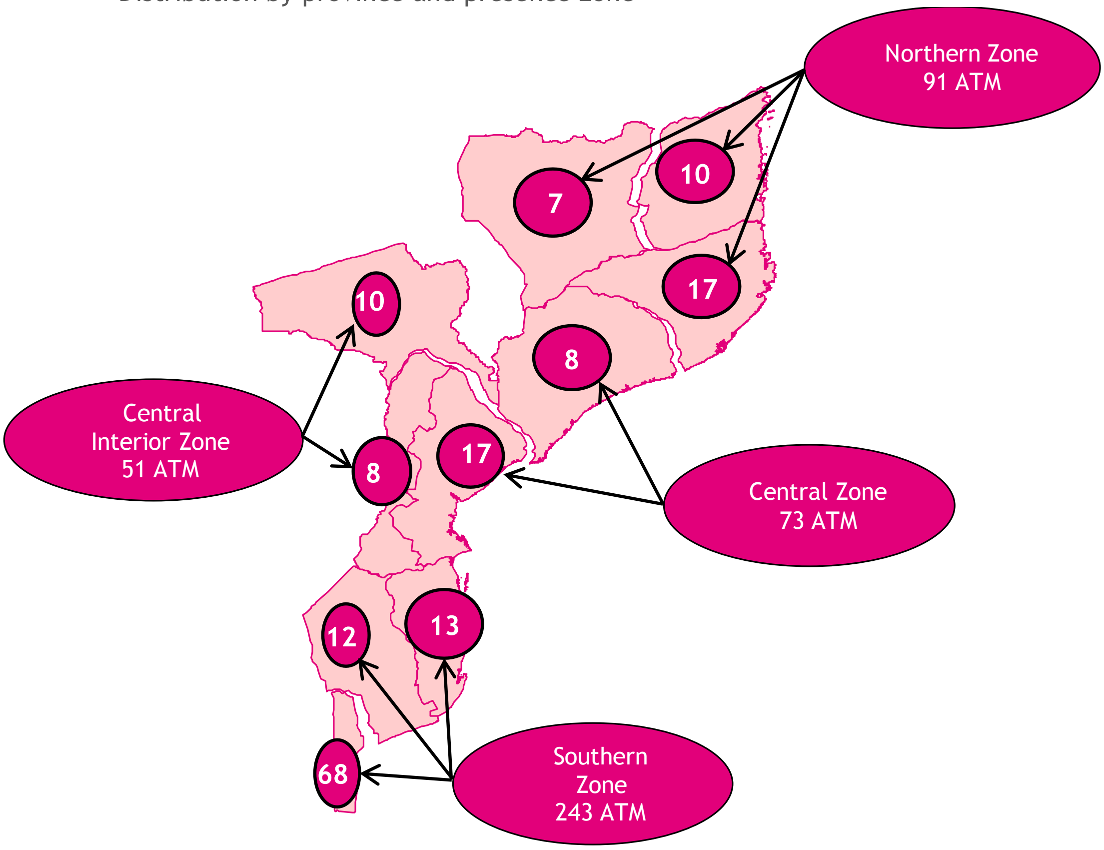


The Network of Millennium bim

Network
Distribution by presence zone

	Customers	Branches	ATM	POS
Northern Zone	251,640	33	91	879
Central Interior Zone	153,305	18	51	495
Central Zone	216,755	25	73	806
Southern Zone	832,228	93	243	5,088
	1,453,928	**169**	**458**	**7,268**

Network of branches and ATM
Distribution by province and 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

- Committed contribution to the re-launch of the banking uptake of the Mozambican 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;
- Promotion 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 sectorial 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

The social responsibility programme of Millennium bim, planned, coherent and feasible is an investment in the present, with a medium and long-term strategic vision. It is necessary to ensure the necessary conditions so that the communities targeted by the projects feel part of this movement, which intends to respond to the most precarious situations of Mozambican society.

Created in 2006, the social responsibility programme of Millennium bim, “More Mozambique for Me”, expresses the positioning of the Bank in its commitment to the community. The initiatives are always planned and given impetus in coordination with local civil society or governmental entities, which are truly aware of the needs and ambitions of the beneficiaries of each initiative.

“More Mozambique for Me” develops structural projects of national coverage, which provide communities with the possibility of objectively addressing and implementing plans for a better future. The Bank's commitment to the social responsibility programme is to continue to play a leading role in the social development of the country, with initiatives that effectively contribute to improve the quality of life of the population, rather than isolated philanthropic initiatives.

The conservation and preservation of the environment has received prominence in the programmes developed by Millennium bcp, having taken the initiative to implement sound environmental management practices in its day-to-day operations. At the same time, the Bank has supported and developed initiatives that contribute to the raising of local communities' awareness of environmental problems and improvement of the quality of life, among which environmental education in schools has played a key role.

Guiding principles of the social responsibility of the Bank

The Bank has adhered to the principles of the United Nations Global Pact and of the Business Forum for the Environment (FEMA) 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.

The main objectives of FEMA are raising the awareness of the business community to the continuous improvement of the quality of the environment; serving as interlocutor for the Government in representation of the business sector for environmental policy issues; promoting interest in protecting the environment and public health; supporting the agricultural, industrial, commercial and services sectors and their associations in solving environmental problems.

Following its adherence to the principles of the United Nations Global Pact, Millennium bim has developed and promoted the guiding principles for the defence of human rights, labour and the environment.

Shares in 2015

In the previous year, Millennium bim developed, once again, various projects within the scope of the "More Mozambique for Me" programme, in the areas of Sport, Education, Health, Culture and Environment.

Sports

The main challenges facing the sports activities supported by Millennium bim centre on training, social interaction and the transmission of key values in the growth of a child, as well as on drawing to the population's attention the importance of physical activity and the need to maintain a healthy life style.

Millennium bim Mini Basketball Tournament 2015

In 2015, the 10th edition of the Millennium bim Mini Basketball Tournament was held. The competition involved 1,750 athletes, boys and girls between the ages of 6 and 12 years old, which during eight weeks experienced a unique opportunity to share knowledge and teachings through the practice of sports.

From schools, neighbourhoods and clubs of Maputo, Tete, Quelimane, Matola, Nacala, Nampula, Chimoio, Xai-Xai and Beira, these children were able to share with coaches, monitors and teachers a unique life experience for their growth, having started to develop their technical skills during the competition.

The Tournament of 2015 was marked by the presence of renowned figures of this sport in Mozambique, as was the case of the captain of the Female National Basketball Team, Deolinda Ngulela, who was responsible for the warm up of the children and the official opening of eight weeks of competition.

In this 10th edition, the Mozambican Federation of Basketball, through the Mozambican Committee of Mini Basketball and Clube Ferroviário de Maputo (Railroad Club of Maputo), became once again the major partner of this sport initiative, which includes the support of schools, clubs, neighbourhoods and basketball associations of the cities that participate in the tournament.

Once again, the group Insurance company, Ímpar, provided insurance coverage to all the participants for free, as well as the presence of a massage therapist in every field, to guarantee assistance to the athletes during the tournament. The Insurer was also responsible for rewarding all the athletes, in recognition of their performance in this competition. With the objective of reinforcing the support for the development of school sport, it also offered sports material to various teaching establishments, providing various children with the opportunity to practice this sport.

At the closing event, the traditional award of prizes to the participants took place in the presence of His Excellency the Minister of Youth and Sports, Alberto Nkutumula, His Excellency the Minister of Education and Human Development, Jorge Ferrão, and Her Excellency the Governor of the city of Maputo, Iolanda Cintura.

The attendance of leading figures at the closing ceremony of the Millennium bim Mini Basketball Tournament is the recognition of the importance of this competition in the promotion of the sport and of its cohesive role, as evidenced in the initiatives held in the various provinces of the country. Throughout the 10 editions, about 13,000 children have already participated in the tournament.

Millennium bim Race

In spite of the strong rains, many athletes participated in the 10th edition of the Millennium bim Race.

With the aim of fostering the development of athletics and contributing to the identification of new talent, this sports event was attended by about 1200 athletes in various categories: national and international, physically disabled athletes and amateurs of physical exercise who also participated in order to draw the attention to the importance of physical activity and the need for a healthy lifestyle.

Education

By focusing on education, Millennium bim believes 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.

Within the scope of education, the aim is to intervene in pedagogical areas that enable the structured growth of children and to focus awareness on their obligations as citizens. Therefore, the major objectives of the work developed in partnership with the country's primary and secondary schools were to contribute towards the financial inclusion of young people, making them aware of financial concepts and the importance of saving, draw attention to traffic rules and raise in each one the awareness of their role in the preservation of the environment.

"A Clean City for Me - Recycle and Win"

The project "A Clean City for Me – Recycle and Win" aims to instil in young people new waste treatment habits, focusing on recycling and its importance to the cleaning of the city.

Throughout the six months of the project, several activities were promoted to promote sustainability principles: reduce, reuse and recycle.

Environmental Clubs, under the guidance of technicians from the Mozambican Recycling Association (AMOR), were created with the aim of raising in young people awareness of the need to preserve the environment. Students and teachers carried out various initiatives that showed the importance of the role of the child as a citizen in its relationship with the environment.

Each school 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. In an example of collective effort, schools collected more than eight tons of paper, plastic and cans.

The Praça do Destacamento Feminino served as stage for the closing ceremony of the 2015 edition. The Christmas tree was inaugurated in the presence of students, teachers and the councillor of the City Council of the city of Maputo. The tree, six metres in height, was built from 6,000 bottles of plastic collected and recycled, over the years, from the Environmental Clubs.

Within the scope of this project, waste bins painted by associated artists, who created true works of art, were also offered to the Arts and Crafts, Flowers and Gastronomy Fair of Maputo (FEIMA).

The different activities raise young people's awareness of the importance of their behaviour in the adoption of good environmental practices and in their influential role of changing habits in their homes, showing that, together, it is possible to make a difference and reduce urban waste, contributing towards the construction of a better Mozambique.

"Road Safety Campaign 2015"

The United Nations Global Road Safety Week marked the beginning of the 6th edition of the school project "Road Safety Campaign". This initiative is promoted annually by Ímpar, in partnership with the social responsibility programme "More Mozambique for Me" of Millennium bim, the Traffic Department of the Police of the Republic of Mozambique (PRM) and the National Institute of Land Transport (INATTER).

With the objective of training primary school teachers of Civic Education with the contents related to road safety, a workshop was held on "The role of schools in the prevention of road accidents". At this event, 150 teachers and specialised technicians in the area of road prevention spoke of the best practices that help prevent and fight against the scourge of accidents.

Similarly to previous editions, Traffic Police officers gave lectures at primary schools of the city of Maputo, where, in an environment of major interactivity, topics were presented that contribute to the raising of awareness of young people, regarding the need to adopt a responsible attitude and behaviour on the road.

For the first time, lectures were held in markets and at the Transport Terminal of the cities of Maputo and Matola, with a view to reaching a different target audience, training and warning sellers, hauliers and other workers of the markets on road hazards and what to do to avoid them.

Millennium bim Banking Olympics

The 6th edition of the Millennium bim Banking Olympics involved 400 secondary school students. After sitting a written exam, the 20 students with best results were selected, having represented the 10 participating schools in the final.

This financial literacy project creates moments suited towards the discussion and presentation of doubts and suggestions relative to the topics discussed. An example of that was the workshop on Entrepreneurship and Savings, where the 20 finalists and professors of secondary schools of Maputo and Matola clarified concerns and doubts that are relevant to them.

At the grand final of the Millennium bim Banking Olympics 2015, which was attended by His Excellency the Minister of Education and Development, the winner was Santa Ana da Munhuana Secondary School. The three best schools were awarded the "More Knowledge for All" space, a suitable place to study, where the donated furniture, computers and books offer the appropriate conditions for the analysis and research of the topics addressed in these Olympics. Students also received several prizes, including account openings in Millennium bim.

World Savings Day

In connection with the commemorations of the World Savings Day, and within the activities driven by Banco de Moçambique, several educational activities were held in schools and Branches.

The activities took place in October and allowed students from 36 primary and secondary schools to attend an intensive programme on economics and savings. In addition to the holding of awareness raising activities, students were challenged to decorate their school with handicraft made from recycled material and with messages alluding to savings. Competitions were also held that encouraged them to create a plan to reach their objectives, identifying what they had to do to save money. The best works were awarded prizes.

At the same time, the Bank also promoted its network of branches throughout the country, via a campaign involving the distribution of leaflets and posters promoting savings.

"Millennium bim School" project, in partnership with ADPP

Millennium bim has established a partnership with Ajuda de Desenvolvimento de Povo para Povo - Cidadela das Crianças (Development Aid from People to People – Children's Citadel) with a view to supporting school education and encouraging entrepreneurial action, by improving the vocational training activity conducted by this institution. Under this support, the students had the opportunity to learn sewing and carpentry. The aim of this initiative is to equip students with more knowledge and support the development of activities that will permit a more sustainable management of the institution.

Azgozito – Music Festival

Millennium bim was, once again, the main sponsor of the AZGO music festival. In the Azgozito project, the children had a space dedicated to them, where they took on the role of true "artists". They participated in recycling workshops; learnt painting techniques taught by renowned Mozambican painters and also shared experiences in the music area with some of the artists that performed in the festival.

Health

The contribution in this area involves supporting the execution of initiatives, both long-term and requests for immediate intervention, which provide greater quality to the Mozambican health system.

Capacity-building at Maputo Central Hospital

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".

This project was launched in 2014 and will run until 2016, in a concerted action with several Portuguese institutions. The objective is to improve integrated care to cancer patients at Maputo Central Hospital, by improving screening, diagnosis, treatment and registration of oncological diseases. Within this scope, intervention is planned in seven services of Maputo Central Hospital: Oncology, Pathological Anatomy (responsible for the histopathological diagnosis of the entire southern region 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

Exclusive sponsor of the Art centre since 2013, Millennium bim continued to support and promote various manifestations of artistic creation in this cultural space.

Environment

Millennium bim has supported and developed projects that raise the awareness of local communities regarding environmental problems, as well as initiatives whose purpose is to preserve the environment and improve the quality of life of people.

Partnership with AMOR - Recycling Project

For the 6th consecutive year, Millennium bim was the main partner of AMOR (Mozambican Recycling Association). A reference in the recycling and reuse of solid waste, this association carries out the selective collection of urban waste, contributing to the reduction of the rubbish management load of the municipalities of the cities of Maputo and Matola. This comes to about 120 tons of waste per month, which represents a significant savings of natural resources and of CO_2 emissions.

Through the project “Used oil, recycled Biodiesel”, the oil used by restaurants is collected by large oil units. Every six months, this waste comes to a total of 180 litres of biodiesel, which is used in AMOR trucks.

Voluntary work

The commitment to being an active agent in the social development of Mozambique is taken up by the Employees of Millennium bcp through a voluntary work project, with actions of social and community interest. The possibility of participating in these initiatives is viewed as a contribution that each one can make for the economic and social development of the country.

Responsible Millennium bim - Corporate Voluntary Action

In 2015, three actions took place:

- Millennium bim Solidarity Campaign - Support to flood victims

  In response to the bad weather conditions that caused severe damage to the Centre and North of the country, the Bank and its employees came together in a solitary gesture of support for victims of the floods, having launched, at a national level, the "Solidary Millennium bim" campaign.

  The mobilisation of Employees of Millennium bim and Seguradora Ímpar around this solidary gesture was exemplary: both the basic goods collection campaign and the cash donations demonstrated everyone's commitment towards contributing to the improvement of the living conditions of the affected population.

  As a result of this initiative, more than a ton and a half of basic goods, such as blankets, clothes, footwear, toys and school materials were collected.

  At the same time, Millennium bim joined its Employees in this solidary act and donated 1 million meticais to the Government of the Province of Zambézia.

  The offer of means and goods to the Government of the Province of Zambézia enabled humanitarian assistance actions to be directly supported and the swift reconstruction of basic infrastructures.

- Paediatric Haematology-oncology Unit of Maputo Central Hospital

  The Paediatric Haematology-oncology Unit of Maputo Central Hospital, which continues to be the only unit in the country to receive children from all provinces, was the location chosen for a volunteering action.

  After three weeks of work carried out by specialised civil construction technicians, which consisted on windows repair, painting of walls, substitution of floors and the reconstruction of damaged areas of some of this unit's sectors, the volunteering action began.

Hence, on a Saturday, 38 Employees were, together with doctors and nurses, cleaning and organising all the medical equipment, assembling the offered furniture, decorating the walls, and playing with the hospitalised children.

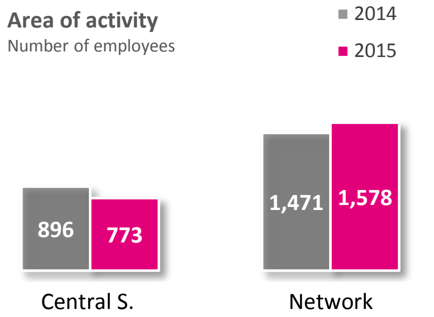
- Pilot Reception Centre of Infulene

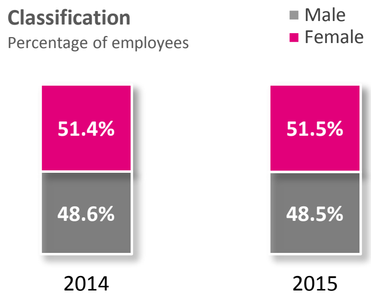
  Located 15 km from the city of Maputo, this centre has received orphan children since 2003 and currently hosts 40 boys and 20 girls between the ages of 7 and 20 years old.

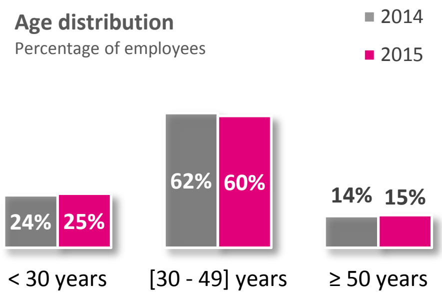
  It was a very intensive day of work, which also involved a lot of sharing. Forty employees and relatives, distributed by activity, participated in this initiative, having managed to improve the housing conditions of the children residing in the institution.

  The activities room, the playground, the rooms and the canteen were some of the locations that underwent remodelling works. Mattresses, clothes, books, toys and school and sport materials, among other goods, were also donated. At the end, the volunteers were gifted with Christmas carols.

Activity of Millennium bim in 2015







Employees

Millennium bim believes that its employees are a key factor of differentiation in the market, and that these, appropriately aligned with corporate values and culture, play a fundamental role in the growth and development of the organisation.

Strategic initiatives

Millennium bim, from a perspective of supervision of its Employees, continued its training programmes with a view to reinforcing the qualifications of its staff in terms of technical and behavioural skills.

Bearing in mind the demands of the financial market and the need to recruit staff with profiles that are appropriate to the functions performed, involved with the organisation's culture and policy, the same differentiated selection methods and practices were maintained in the selection and recruitment process, which enabled greater accuracy in the results to be achieved. In addition, the internship and scholarship programmes contributed to the success in the recruitment of young people with potential for the organisation.

At the same time, the MilleTalent project was continued, focused on a differentiated approach towards the recruitment and monitoring of young people with high potential.

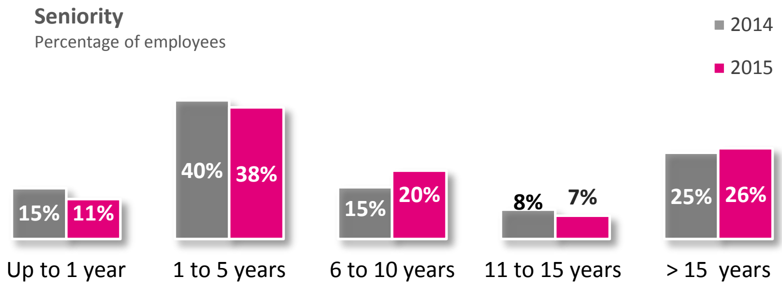
Management of people and training

With a view to achieving the defined objectives and strategies through the enhancement of its staff, in 2015 Millennium bim continued its career management and supervision policy for its Employees, using performance assessment as a fundamental tool for the success of this process.

Millennium bim reinforced its staff, in order to fill vacancies left by staff departures, having recruited 132 new Employees, with the final number of employees having risen to 2,351 at the end of the year.

Performance assessment is fundamental for the recognition and motivation of employees. In 2015, 2,254 Employees out of a total of 2,351 were assessed, corresponding to a realisation level of 95.9%.

Aware of the importance of training in the knowledge of the organisation's policies and culture, Millennium bim has been developing specific training programmes with additional hours in relation to previous years. In 2015, 68,696 training hours were ministered to 1,936 employees, corresponding to 82% of Millennium bim employees.



Health

Within the scope of health care provided to Employees, new services were added to existing agreements, with a view to improving and extending the assistance to Employees and their immediate family members.

The growing concerns about safety and the need for swift intervention in the event of a health incident in the workplace contributed to the reintroduction of the training module in first aid.

Within the scope of safety at work and with a view to preparing for emergency situations, Employees were trained in providing support during the evacuation of buildings.

More specifically within the scope of the HIV prevention policy, continuity was given to the raising of awareness in the several Provinces and monitoring of the recognised cases.

Review of the business areas

In 2015, the Bank maintained its strategic focus on the strengthening of its value proposition, namely on automatic channels, through which new financial services were offered to meet the needs of different Customer segments.

Active mobile channel Customers increased by 32%, reaching 333 thousand Customers by the end of 2015. In transactional terms, the Bank's platform recorded a volume of more than 7 million transactions in December, which represents a year-on-year increase of 66%.

With more than 1 million 450 thousand Customers, 1 million 200 thousand cards, an installed network of 458 ATM and 7,268 POS, the automatic channels of the bank recorded a volume of more than 14.5 million transactions in December 2015, with the Mobile channel representing almost 50% of that value.

Facilitated access to financial services is one of the main areas of focus for Millennium bim: banking uptake in Mozambique.

Innovation in 2015

In 2015, Millennium bim continued to innovate with regards to its information systems, with the objective of providing its Customers with a service of excellence, in line with the best and latest information technologies and security practices, having launched the Verified by Visa (VbV) service which permits validating the authenticity of the card holder during a purchase on the Internet (e-Commerce).).

On the wave of the success of Millennium IZI, several improvements have been implemented which have provided a more complete, simple to use and attractive service to Customers.

In the last quarter of 2015, a new transaction, **Manda Mola para Celular** (Send Money to a Mobile Phone) was introduced in Millennium IZI. Through this form of funds transfer our Customers can transfer money to any mobile phone number. This transaction allows the beneficiaries of these transfers, even if they do not have an account at Millennium bim or in any other credit institution, to easily create their Electronic Money Account (CME), the IZI Account. The CME enables all the features offered by IZI to be used, including consultations, purchase of top-ups, transfers or withdrawals via ATM.

Retail Banking

In 2015, the opening of new branches continued to be an integral part and a priority of the expansion strategy for the commercial network of Millennium bim. Since retail banking is a strong business component, the strategy of opening new branches across the country is an important factor in bringing the Bank and the population that does not participate in the banking sector closer and to relieve congestion at existing branches. The Bank continued its strategy of decentralisation of the Commercial Coordination Departments, thereby ensuring greater proximity to Customers and an operating efficiency gain in the treatment of transactions.

In 2015, the Bank also launched Millennium bim Já Já, a banking service which offers, through the banking agent, a number of banking services to the population in rural areas, substituting the traditional means, through the use of the POS (stores, grocery stores, post offices, etc.) With this service, and through a network of Já Já Agents that the Bank has been expanding, population in areas of difficult access to financial institutions can make deposits, transfers, purchase top-ups and electricity, make withdrawals, consult balances and pay for services.

At the end of the year, the Bank established an exclusive partnership with Correios de Moçambique to, as a complement to the distribution of postal services, offer 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 the properties of Correios de Moçambique.

With the establishment of partnerships such as this one, Millennium bim is, one again, at the forefront of development of the Mozambican banking sector. The objective of the Bank is to continue along the path of innovation, making it easy for Customers to access the best products and services.

Prestige

Launched in 2012, the Prestige, Affluent Individual Customers and Companies segment remained focused on the service of excellence for its Customers spread over 22 Prestige customer service locations, which ensure the coverage of all of the provinces of Mozambique.

The Prestige spaces, with a distinctive aesthetics and design, focused on the comfort and prestige of customer care, offer a personalised customer service through a Customer Manager with a service of excellence that is continually focused on meeting the financial needs of the Customers.

At the same time, at the end of the year, Millennium bim signed two contracts with the European Investment Bank (EIB) to obtain funding with a view to granting credit to Small and Medium-sized Enterprises. These sources of funding will support the development of the Mozambican business fabric, namely that which is served by the Prestige network.

Corporate

During 2015, the Corporate network continued the adjustment process initiated in the previous year and which will continue in 2016.

The service offered to Customers served by this network is characterised by a high standard of quality, due to the typical demands and sophistication of the segment. Millennium bim has thus continually sought to provide the Corporate teams with the professionals and technical and operational instruments needed to obtain high levels of satisfaction, measured by the frequent Customer surveys conducted.

The results of this business segment continue to make us proud, since the Bank continues to merit the preference of the major Mozambican companies.

Electronic Banking

In 2015, Millennium bim continued the expansion of the automated distribution network, having introduced 18 new ATM and 1,259 new POS, representing a 4% and 21% increase, respectively.

The integration process into the SIMO (Sociedade Interbancária de Moçambique) network was reinforced. The SIMO connection project advanced significantly in 2015, with ATM already installed, in addition to the entire number of POS running on the technological environment of this company. During 2016, the total migration of the ATM and POS of Millennium bim is planned.

To ensure a continuous improvement in the quality and reliability of the POS service, the commercial supervision of shopkeepers with POS was reinforced, as well as the corresponding technical assistance, complementing it with significant improvements in the software of POS machines.

Operations and Information Systems

Innovation and investment in mainly technology-based initiatives were back on the agenda in 2015, namely with the improvement and upgrade of various applications and the development of new ones. In addition to permitting a more varied and better offer to be made to its Customers, the strategy followed also led to the improvement of operating efficiency, through a better controlled and more efficient workflow. These are essential factors in the pursuit of a service of excellence, in line with the best and latest information technology practices, which has consolidated Millennium bim as a reference in the market. In this context, we highlight:

- **PCI/DSS Project.** Created by Visa, MasterCard, Discover and American Express, the PCI/DSS (Payment Card Industry Data Security Standard) is a set of standardised rules, standards and procedures with a view to optimising the security of transactions with cards, and protecting the card holders against fraudulent use. Millennium bim was certified by Trust wave for the new PCI/DSS 3.1 version, after having been certified for version 2.0 in 2014.
- **Revamping of Workflows**, aimed at modernising the Workflows used by the Bank's branches, by increasing its ease of use, as well as introducing changes to the flow level, according to Basel II recommendations.
- **Internet Banking** (Millenet). This solution, developed in articulation with Millennium bcp, replaced the former bimnet for all Customers. During 2015, important improvements were introduced, such as the robot telephone call with code information for transaction confirmation in situations where the confirmation SMS does not reach the recipient, several improvements in terms of Trade Finance and the connection with CME accounts.
- **Milleteller Project** - Phase 2. This project aims to introduce several improvements in the Milleteller cash application, namely in customer service, by reducing the response times for remote authorisation, and fraud prevention, among others.

Seguradora Internacional de Moçambique

In 2015, the premium income of Seguradora Internacional de Moçambique came to 1,802.7 million meticais, which represents an increase of 2.8% relative to 1,753.0 million meticais recorded in the same period of 2014.

The Motor Vehicle branch, with an increase of about 13.3%, positively influenced by the launch of the Mais Auto and Iauto products; Health, which grew 12.3%, where the PPP product stood out with an increase in sales through the bank channel; Workman's Compensation, which grew about 14.2%, and Various, due to the impact of premiums arising from investments in major engineering works in national territory, contributed to the positive performance of processed. This situation contributed to the evening out of the effect of the loss of business in the Fire branch, which was well below expectations, due to the deceleration of investment in the gas projects in the Rovuma Basin.

In the analysis by segment, Non-life stands out, having increased by 3.3%, as a result of the solid performance of the Real branches previously mentioned. In the Life segment, in spite of modest overall growth, it is important to note the positive performance of the Life Risk branch and, in particular, of the CNV product, which increased by 45% as a result of the stimulation of credit granted by Millennium bim, having exceeded expectations.

The net income of Seguradora International de Moçambique came to 531.9 million meticais, a growth of 14.6% year-on-year, primarily justified by the reduction in the net loss ratio of 38.7%; the growth in revenues in Real branches, focused on a mix of products with a good technical margin and, in addition, the improved remuneration of Assets.

During 2015, Seguradora International de Moçambique continued its commercial expansion strategy to cover the main development hubs of the country, by opening a new Branch in Pemba.

In the Motor Vehicle business, we launched and promoted, through the various means of communication, products designed to meet the needs of the Customer, namely the Mais Auto and the Iauto.

A Customer loyalty event was held with the Brokers operating in the Mozambican market, which had a significant impact on those we consider as strategic partners in the insurance business.

Within the context of our Social Responsibility policy, in 2015, we reinforced our commitment to Mozambican society by supporting, creating and developing continuous and sustainable projects that have an impact on the improvement of the social environment. This time, we once again actively supported and participated in the Road Safety Campaign in partnership with the Police of the Republic of Mozambique (PRM).

Confirming the solidity of the Insurer, as measured by the high equity-to-liquidity ratio, and the consistent profitability over the years, Seguradora International de Moçambique was distinguished by the prestigious Global Credit Ratings (GCR) agency for the second consecutive year, having been awarded an AA- rating, the highest to have been awarded to an insurer in Mozambique.

Risk management

The Risk Management System of Millennium bim continued to be reinforced and consolidated during 2015, both regarding the mechanisms of control and monitoring of the multiple risks affecting its activities, as well as regarding their assessment, at various levels.

The main activities developed and most relevant interventions in the area of Risk Management, as well as various relevant accomplishments towards the reinforcement and improvement of the Risk Management System of Millennium bim in 2015, were:

i. Reformulation of the credit impairment calculation process, including the redevelopment of the collective impairment model;

ii. Launch of the Project for the implementation of the Internal Capital Adequacy Assessment Process - ICAAP/Pillar II of Basel - following recommendations issued by Banco de Moçambique;

iii. Effective implementation of Notice 19/GBM/2013 of 31 December, on disclosure of the Market Discipline Report. In this regard, in May and August 2015, the Bank published its first and second Market Discipline report, with reference to December 2014 and June 2015;

iv. Integration, in the Audit Department, of the function of independent validation of internal risk models;

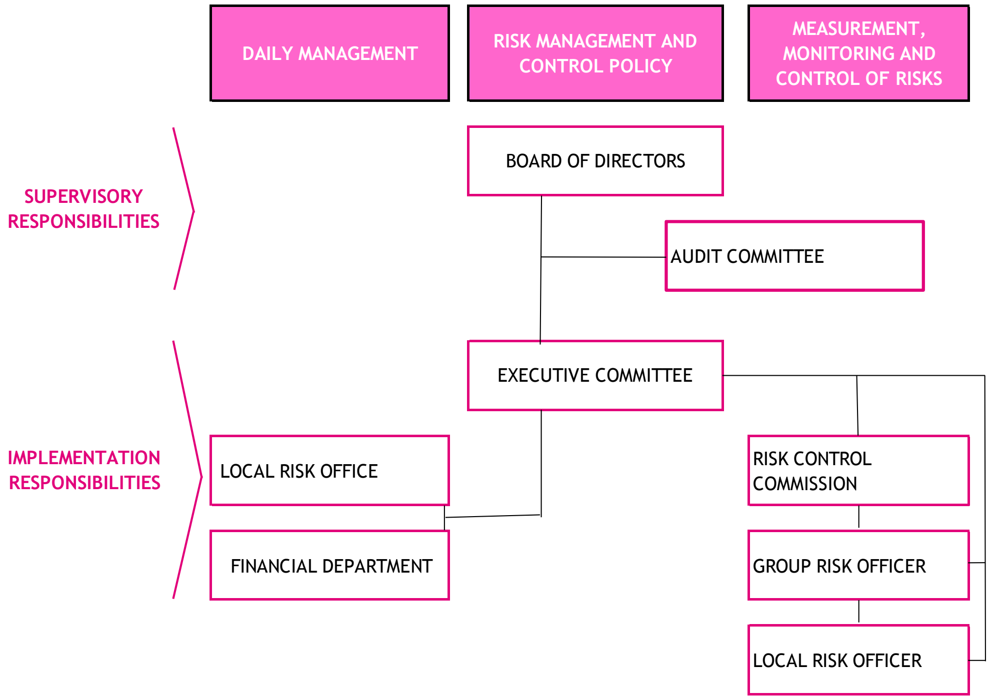
v. Development of new Key Risk Indicators (KRIs) to assess the performance of different credit processes and for credit recovery areas, based on the evolution of expected loss, reflecting credit exposure, collateral levels, duration of default and the result of the recovery process.

vi. Strengthening of the monitoring of credit quality through the systematic follow-up by the Risk Control Committee and the Audit Commission of the evolution of the indicators of overdue credit, impairment and principal situations of risk;

vii. Automation of the models for the valuation of risk weighted assets (RWA) at the level of credit risk, market (interest rate) and operating risks, as well as implementation of metrics for the measurement of interest rate risk in the Bank's portfolio and its sensitivity analysis.

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.

RISK OFFICER

In order to ensure the monitoring and alignment of concepts, practices and objectives transversally, the Risk Officer is entrusted with informing the Risk Control Committee of the Bank of the general risk level and proposing measures to improve the control environment and implement the approved limits.

Economic capital

With a view to determining the Economic Capital of the Bank, the ICAAP (Internal Capital Adequacy Assessment Process) was developed through the use of internal methodologies appropriately articulated with head office. The main objective is to be able to compare the economic capital requirements to the available financial resources in order to assess the Bank's capacity to absorb risk, as well as the identification of activities and/or businesses that create value.

Since ICAAP is a new and complex process, the Bank assigned a local consultancy company with its implementation. Among the various activities of the Project, we highlight:

i. Definition of the Governance Model of the ICAAP, adjusted to Millennium bim's reality;

ii. Definition of the risk taxonomy of Millennium bim through the exhaustive listing of the Bank's inherent risks.

iii. Holding Workshops with different Process Owners and Process Managers of different Organic Units of the Bank, with the aim of identifying the material risks for BIM within the scope of the 4M Model. This Model seeks to identify if the risks listed in the Risk Taxonomy of the Bank are Material (Material), how they are managed (Management), how they are measured (Measurement) and how they are mitigated (Mitigation). 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 Credit, Liquidity, Market, Operating, Business, Compliance and Reputational risks.

iv. Definition of the base and adverse scenarios, with the latter being characterised by deterioration in economic activity (build-up of inflationary pressure, increase of key market interest rates, a significant slump in direct foreign investment and, a strong devaluation of the Metical). It is a hypothetical scenario created for the purpose of assessing the solidity of the Bank and its resilience to an unfavourable economic environment.

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.

In 2015, several monitoring, validation, calibration and review/improvement actions were performed on the credit risk models, whose actions focused on the rating models and systems for the Companies and Retail risk categories, in their different estimation components. Under this process, the most significant models are the Probability of Default (PD) model, the Rating model for Corporate customers and the TRIAD behavioural model.

Credit risk

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.

Control and mitigation of this risk are carried out, on the one hand, through a solid structure of risk analysis and assessment (using internal rating systems suited to the different business segments and a model for the early detection of potential default of the portfolio) and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the situations of default that have occurred.

During 2015, 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. Consolidation of the techniques and methodologies applied to calculate the central trends of the probability of default by business segment (Individuals, Sole Proprietorships (ENI), Small and Medium-sized Enterprises), for the purposes of calibration of the Rating and Credit Scoring Models in use at the Bank;

ii. Incorporation of reports relative to Concentration Risk, as well as to Alert and Negative Signals determined by the EWS (Early Warning Signals) Model of the Bank, enabling those customers with watch, reduce and withdraw alert levels to be controlled;

iii. Implementation of the process of calculation of (sectorial and individual) concentration indices;

iv. Implementation of computer software to operationalize the credit management process, including the effort tests related to credit risk and the conduct of back-tests on the key parameters of the collective impairment model and its periodicity, in alignment with IAS 39.

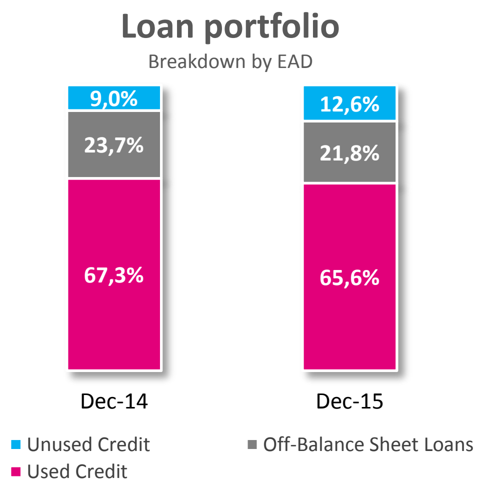
v. Creation and operationalization of the Credit at Risk Monitoring Committee (CACR) with the purpose of sharing information on the reasons for default of the credits/customers selected, assessing the value of the guarantees associated to those exposures and defining recovery strategies based on the real situation of each customer.

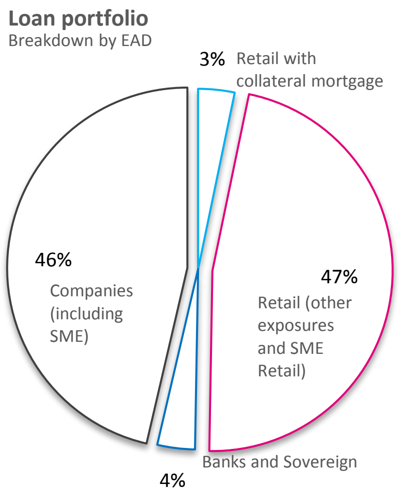
vi. Conclusion of the process of development of the technological infrastructure for the automatic calculation of credit impairment and of the Calculation of the Default Probabilities of the Bank's Loan Portfolio and LGD parameters to be applied in the New Model of Credit Impairment calculation, whose use is dependent on the carrying out of quality tests planned for the 1st Quarter of 2016;

Composition of the loan portfolio

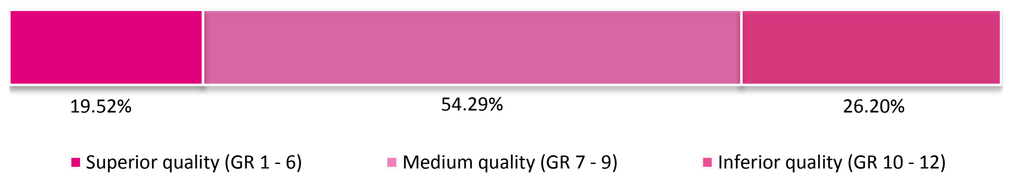
The structure of the loan portfolio of Millennium bim at the end of December 2015 – in nominal and overall terms (i.e. covering Balance Sheet and off-Balance Sheet exposure), as illustrated below – showed no significant changes compared to the portfolio of December 2014.

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):



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 2015, for the loan portfolio of BIM.

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-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 2015, 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.

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.

In terms of operational risk management, special emphasis goes to the following actions and achievements carried out in 2015:

i. Strengthening of the operational losses database by identifying new cases for all business processes;

ii. Conduct of the operational risk self-assessment exercise;

iii. The determination of the warning and alarm limits of the key risk indicators in coordination with the respective Process Owners;

iv. The increased effectiveness in the use of the operational risk management instruments by the Process Owners, concerning the identification of improvements that contribute for the reinforcement of the processes' control environment;

v. Access to the Accelerate Application (application supporting the Management of Operational Risk shared by all the operations of the Millennium bcp Group), which allowed the Local Risk Office to begin to load the operational loss events, as well as the rational events of the operational risk self-assessment exercises.

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);

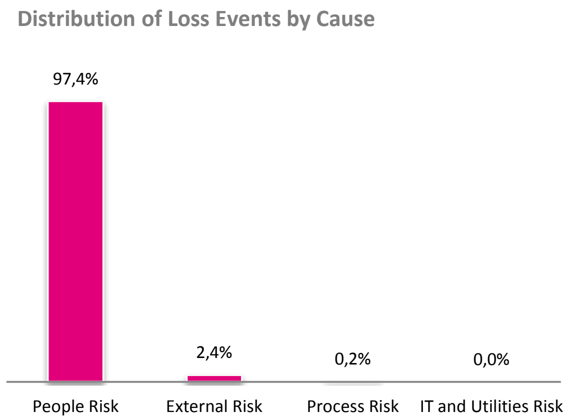
iii. Identification of the impact of the opportunities for improvement in the reduction of the most significant exposures (Target Risk).

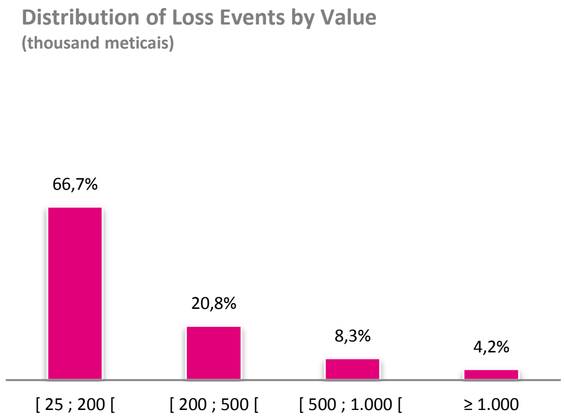
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the Process Owners and Process Managers, or through answers to questionnaires sent to the Process Owners, for review of the results of previous RSA, according to predefined updating criteria.

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 back testing the RSA results, enabling appraisal of the assessment/classification attributed to the risk sub-types.

The profile of the accumulated losses in the database up to 31 December 2015 is presented in the figures below, which are in line with the values of the preceding year: The majority of the losses were caused by internal/external fraud, followed by procedural failings. A large proportion of the operating loss events showed low material relevance, between MZN 25,000 and MZN 200,000.





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. The use of this management instrument has been extended to increasingly more processes, with 22 relevant business operations of Millennium bim already being covered.

Business continuity management

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

Both plans are defined and implemented for a 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.

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. The 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.

In terms of market risk management, special emphasis goes to the following actions and achievements carried out in 2015:

i. The improvement of the monthly reporting to the (Executive and Non-executive) Directors of the Bank on the level of control exercised, the Bank's exposure to interest rate risk in the banking portfolio and the excesses in respect of the limits defined by the Board of Directors for Financial Market Activity, as well as the excesses in respect of the Counterparty and Exchange Rate Risk Limits

ii. The improvement of the process involving the daily monitoring of the degree of compliance with the limits of foreign exchange exposure, defined by Notice Number 15/GBM/2013, of Banco de Moçambique on 31 December, on prudential ratios and limits.

iii. The consolidation of the internal determination process of the limit for the control of the Bank's level of exposure to interest rate risk, in line with the transversal limits across the Group for the ALM & Investment portfolio and indexed to the levels of the Bank's Own Funds;

The assessment of the interest rate risk at Millennium bim is based on metrics established by Banco de Moçambique in Circular number 04/SCO/2013, and by internally defined methodology, based on the gaps by reprising 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 - MZN

Interest Rate Gap for the Balance Sheet (MZN)

Unit: MZN´ 000
December/15

31.12.15	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	5,341,551	1,852,881	3,008,005	1,873,655	0
Loans and advances to other credit institutions	0	0	0	0	0
Deposits in banks	0	0	0	0	0
Loans to customers (*)	31,631,726	13,336,969	7,412,277	69,266	0
Financial assets available for sale	2,325,000	6,433,796	13,375,632	0	0
Other assets	0	0	0	0	0
Total Assets	**39,298,278**	**21,623,646**	**23,795,914**	**1,942,921**	**0**
Liabilities					
Deposits from other credit institutions	2,368,820	0	0	0	0
Customer Deposits	18,703,117	13,579,816	22,045,746	13,732,066	0
Debt securities issued	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Other liabilities	2,229,001	0	79,316	0	0
Total Liabilities	**23,300,937**	**13,579,816**	**22,125,062**	**13,732,066**	**0**
Total Liabilities and Equity	**23,300,937**	**13,579,816**	**22,125,062**	**13,732,066**	**0**
Interest rate gap	**15,997,340**	**8,043,831**	**1,670,852**	**(11,789,145)**	**-**
Accumulated interest rate gap	**15,997,340**	**24,041,171**	**25,712,023**	**13,922,878**	**13,922,878**
Accumulated sensitivity (200 bp)	**303,504**	**434,651**	**471,515**		

31.12.14	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total Assets	**32,801,895**	**18,392,859**	**23,086,046**	**2,926,299**	**0**
Total Liabilities	**19,473,005**	**12,629,076**	**20,136,594**	**13,541,573**	**5,104**
Interest rate gap	**13,328,890**	**5,763,783**	**2,949,452**	**(10,615,274)**	**(5,104)**
Accumulated interest rate gap	**13,328,890**	**19,092,673**	**22,042,125**	**11,426,852**	**11,421,748**
Accumulated sensitivity (200 bp)	**275,578**	**370,697**	**447,829**		

(*) Net Loans

Interest rate gap for the balance sheet - USD

Interest Rate Gap for the Balance Sheet (USD) — **Unit: MZN´ 000**
December/15

31 de Dezembro de 2015	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	1,400,622	0	0	0	0
Loans and advances to other credit institutions	977,475	0	0	0	0
Deposits in banks	872,100	2,065,500	3,678,426	0	0
Loans to customers (*)	2,300,259	5,908,593	4,328,341	91,800	0
Financial assets available for sale	0	0	0	0	0
Other assets	0	0	0	0	0
Total Assets	**5,550,456**	**7,974,093**	**8,006,767**	**91,800**	**0**
Liabilities					
Deposits from other credit institutions	1,247,952	0	0	0	0
Customer Deposits	4,990,960	3,162,024	5,412,873	7,501,648	0
Debt securities issued	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
Other liabilities	57,281	1,147,500	0	0	0
Total Liabilities	**6,296,193**	**4,309,524**	**5,412,873**	**7,501,648**	**0**
Total Liabilities and Equity	**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)**
Sensibilidade acumulada (200 bp)	**(7,817)**	**53,259**	**88,026**		

31 de Dezembro de 2014	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total Assets	**7,771,248**	**5,179,600**	**3,710,083**	**33,600**	**0**
Total Liabilities	**4,548,310**	**3,336,850**	**3,504,445**	**5,320,969**	**0**
Interest rate gap	**3,222,938**	**1,842,749**	**205,637**	**(5,287,369)**	**0**
Accumulated interest rate gap	**3,222,938**	**5,065,687**	**5,271,324**	**(16,044)**	**(16,044)**
Accumulated sensitivity (200 bp)	**50,475**	**81,188**	**90,799**		

(*) Net Loans

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

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

The results calculated as at 31 December 2015 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 2015, which, to a large extent, enabled financing the growth in the loan portfolio.

Within the scope of liquidity risk management in 2015 there was the consolidation of the internal determination process of the annual immediate and quarterly liquidity limits and of enforceability parameters relative to Current and Term Deposits and Irrevocable Commitments. The implementation and periodic review of these parameters has materially relevant impacts on the Bank's Liquidity Ratio;

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

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

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

As at 31 December 2015, the maturities of the main balance sheet headings were distributed as follows:

Total Liquidity Gap for the Balance Sheet

MZN '000

31.12.15	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Assets					
Cash and deposits at Banco de Moçambique	6,777,850	2,584,126	4,286,045	69,000	0
Loans and advances to other credit institutions	1,886,454	0	0	0	0
Deposits in banks	926,784	2,065,500	3,678,426	0	0
Loans to customers (*)	6,941,172	5,534,428	9,208,244	13,225,760	31,496,104
Financial assets available for sale	5,653,942	10,089,710	6,400,000	0	0
Total Assets	**22,186,203**	**20,273,764**	**23,572,715**	**13,294,760**	**31,496,104**
Liabilities					
Deposits from other credit institutions	3,772,971	0	0	0	0
Customer deposits (includes other liabilities)	28,178,796	23,963,317	39,745,682	639,859	1,256,816
Debt securities issued	0	0	0	0	0
Subordinated liabilities	0	0	175,000	0	0
Total Liabilities	**31,951,767**	**23,963,317**	**39,920,682**	**639,859**	**1,256,816**
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**

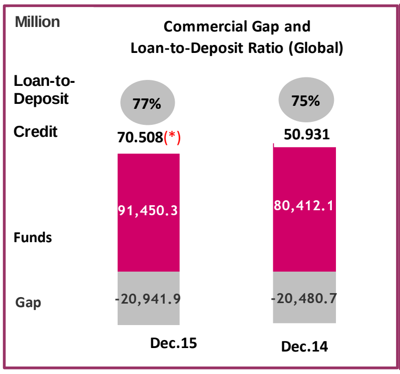
31.12.14	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total Assets	21,005,711	16,083,322	17,372,916	15,996,221	25,009,376
Total Liabilities and Equity	24,803,995	22,191,919	35,997,889	574,450	38,306
Liquidity Gaps	**(3,798,284)**	**(6,108,598)**	**(18,624,973)**	**15,421,771**	**24,971,070**
Accumulated Liquidity Gap	**(3,798,284)**	**(9,906,882)**	**(28,531,854)**	**(13,110,084)**	**11,860,986**

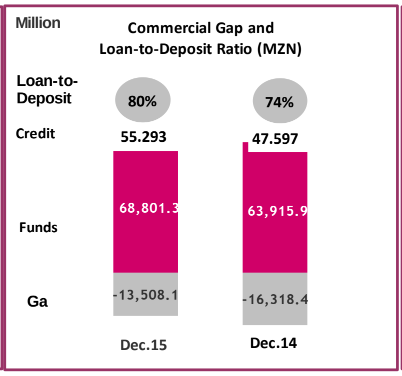
(*) Net Loans

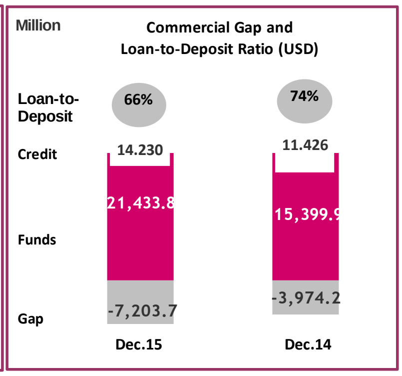
The Risk Office periodically carries out studies on the level of retention of Demand Deposits in the balance sheet of Millennium bim, in order to assess to what extent funds, technically considered volatile, can be used to finance medium and long term credit operations.

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.

On the other hand, the evolution of the Commercial Gap and Overall Loan-to-Deposit Ratio in the main currencies in which the Bank operates is reflected in the following charts for 31.12.15 and 31.12.14, which shows 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:







(*) Gross Loans

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 2014 and 2015, pursuant to the International Financial Reporting Standards (IFRS).

In a context of strong competitiveness, the Bank remained focused on profitability, ensuring prudent liquidity levels and continuing to expand the network.

The external and domestic environment risks, in particular the devaluation of the metical with an impact on the increase in short- and medium-term inflation projections, led to a reversal of the monetary policy of Banco de Moçambique in the last quarter of the year. The downward cycle of interest rates ended and gave rise to the increase in reference interest rates by 225 basis points, and to the increase of the mandatory reserves coefficient.

Total assets of the Bank reached 117,066 million meticais, as at 31 December 2015, compared with 101,502 million euros as at 31 December 2014, 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 91,450 million meticais as at 31 December 2015, compared to 80,412 million meticais as at 31 December 2014, 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 3,391 million meticais in 2015 compared with the positive net income of 3,494 million meticais recorded in 2014, representing a decrease of 3% compared to the previous year.

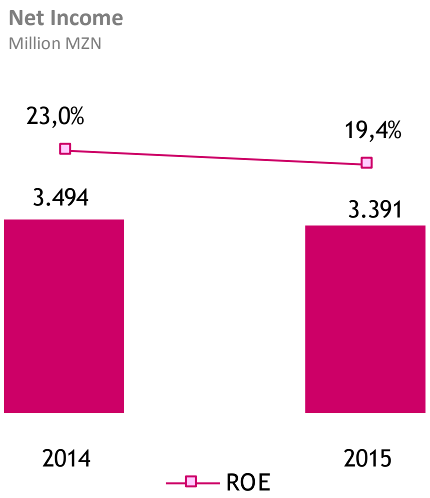
Profitability Analysis

Net Income

The performance of the net income recorded in 2015 essentially reflects the following positive impacts:

- The favourable evolution of net interest income was due to both the growth of the volume of loans to Customers and the improvement in the profitability of financial assets available for sale, which mitigated the effect of lower interest rates associated with loans in the first half of the year and the increase in the cost of deposits;
- The gains from financial operations related to higher volume in foreign exchange operations and the improved level of intermediation margins essentially related to the strong exchange rate volatility in the market;

- 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 2015 also reflects the moderate increase in operating costs as a result of the branch network expansion underway and 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 5%, reaching a total of 5,819 million meticais in 2015, relative to 5,556 million meticais recorded in 2014, driven by the positive effect of the volume of interest bearing assets, in particular of granted loans and the higher profitability of assets available for sale. This growth was possible in spite of the negative effect of the reduction of the market rate in the first three quarters of the year and the higher cost of deposits.

In the last quarter of the year, Banco de Moçambique reversed its economic growth stimulus policy, having increased the FPC (Permanent Assignment Facility) three times totalling 225 bps, a rate that serves as a reference in customer credit operations, which drove the increase in the net interest margin in the last quarter of the year.

In turn, 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 2015 was primarily due to the increase in the rate of return of these assets.

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

Other net income

Other net income reached 4,134 million meticais in 2015, 26.7% above the amount recorded in the same period of 2014.

Million MZN

	Dec-15	Dec-14	Change 15/14
Income from equity instruments	250.3	215.4	16.2%
Net Commissions			
Cards	954.6	1,003.9	-4.9%
Credit and guarantees	515.3	443.7	16.1%
Foreign operations	270.5	231.5	16.8%
Other banking services	291.4	263.8	10.5%
Total net commissions	2,031.8	1,942.9	4.6%
Net income from financial transactions	1,639.9	938.0	74.8%
Other net operating income	212.1	167.7	26.5%
Total other net income	4,134.2	3,264.0	26.7%
Other income / Operating Income	42%	37%	

Income from equity instruments

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

Net commissions

Net commissions reached 2,032 million meticais in 2015, corresponding to an increase of 4.6% in relation to the 1,943 million meticais recorded in the same period of 2014. The increase in commissions was due to the favourable evolution of commissions more directly related to the banking business, in particular loans and bank guarantees, as well as on foreign operations.

The intensification of cross-selling resulted in a growth of approximately 18% due to the network use in bancassurance operations.

Earnings from trading activity

Earnings from financial transactions came to 1,640 million meticais in 2015. This value represents an increase of 75% relative to 2014 due to the effect of a higher volume of exchange rate operations and better intermediation margins, essentially related to the strong exchange rate volatility in the market.

The Bank's commercial proximity policy was reflected in a higher volume of exchange rate operations and the higher margins resulting from the reduced liquidity of currencies in the market permitted the growth of the earnings from trading activity.

Other net operating income

Other net operating income amounted to 212 million meticais in 2015, compared to 168 million meticais recorded in 2014. This increase was essentially influenced by higher revenue generated from the sale of non-core tangible assets.

22,0% 20,0%

Operating Costs

Operating costs, which incorporate staff costs, other administrative costs and depreciation and amortisation for the year, stood at 4,592 million meticais in 2015, representing an increase of 13.3% compared to 2014.

The evolution of operating costs was conditioned by the strengthening of the commercial structure and the support of the on-going growth and segmentation strategy of the branch network and of the distribution of more ATM.

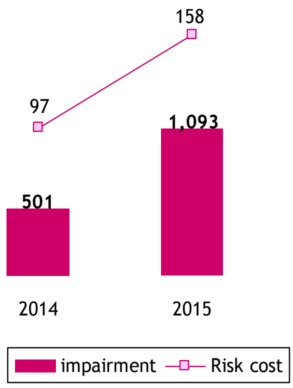
The 10% increase in staff costs in relation to the same period of the previous year is related to the impact of the annual wage updating, as well as to the wage adjustments arising from the evolution of the professional career of the employees.

Other administrative costs increased by 17%, influenced by the increase in rents and leases, the cost of independent work as a result of higher costs with legal services, the increase in consumables due to the replacement of cards with magnetic band with cards with chip and also by the expansion of the branch and ATM network which implied higher costs in security and surveillance services.

Depreciation and amortisation for the year reached 468 million meticais in 2015, representing an increase of 11% relative to the value for 2014. 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

	Dec-15	Dec-14	Change 15/14
Staff costs	2,028.6	1,840.9	10.2%
Other administrative costs	2,095.8	1,792.0	16.9%
Depreciation	467.7	421.1	11.0%
	4,592.0	**4,054.1**	**13.3%**



Cost to income ratio

The efficiency ratio (cost-to-income), on a comparable basis, stood at 46.1% in 2015, compared to the 46.0% recorded in 2014. The maintenance of the ratio was the result of the growth of net operating revenues relative to the moderate growth of operating costs.

Credit impairment and other impairments and provisions

Loan impairment (net of recoveries) reached a total of 1,093 million meticais in 2015, compared with 501 million meticais in 2014. This evolution was driven by the increase in credit impairment charges related with the expansion of the loan portfolio, with an increase in parametric impairments in consumer credit and the significant growth of some company customers that are subject to regular risk monitoring.

In 2015, 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 158 bps in 2015, compared to the 97 bps recorded in 2014.

Review of the Balance Sheet

In 2015, Millennium bim continued to promote a careful management of assets and liabilities. In a macroeconomic environment that encourages 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 a loan-to-deposit ratio below 80%.

Total assets reached 117,066 million meticais in 2015, compared to 101,502 million meticais recorded in 2014, registering a 15% growth.

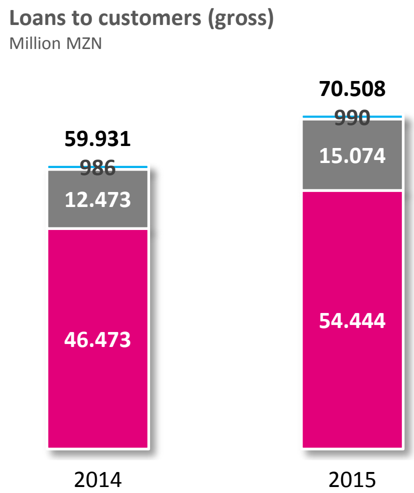
Net loans to Customers represent 57% of total assets, with gross loans corresponding to 70,508 million meticais, which is equivalent to an increase of 18% relative to 2014 (59,931 million meticais). This evolution reflects the macroeconomic conditions of stimulus to the economy, with growth in the company segment having reached 21%.

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

Total Assets

Million MZN

	2015	2014	Change %
Cash and deposits at BdM	13,717	8,493	61.5%
Deposits and credit in credit institutions	8,564	7,125	20.2%
Loans to customers (net)	66,331	56,795	16.8%
Financial assets available for sale	22,062	22,186	-0.6%
Investments in subsidiaries	356	356	0.0%
Tangible and intangible assets	4,743	4,671	1.6%
Other assets	1,292	1,876	-31.2%
	117,066	**101,502**	**15.3%**

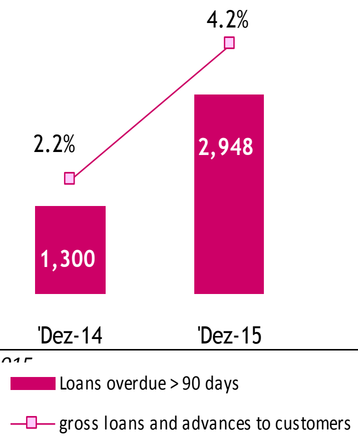


Loans to Customers (gross)

In a context of growth of credit in the system, the strong evolution of loans to companies stands out, which increased by 21%, notwithstanding the maintenance of a policy of prudence in the selection of operations according to risk and profitability.

Loans to customers (gross), on a comparable basis, reached 70,508 million meticais in 2015, an 18% increase in relation to the 59,931 million meticais recorded in 2014. This development was mainly driven by loans to companies (+21%), while loans to individuals grew by 17%.

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 77% (78% in 2014).



Credit Quality

The quality of the loan portfolio, measured by the proportion of loans overdue by more than 90 days in total loans, stood at 4.2% in 2015, compared to 2.2% in 2014. This growth reflects the increase in loans overdue of some customer companies subject to regular monitoring and the growth of the loan portfolio.

However, 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.

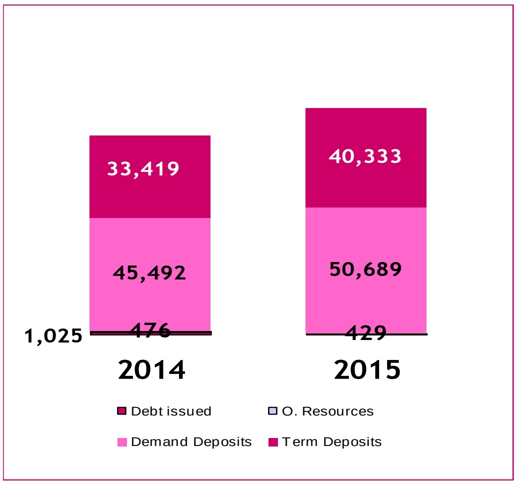
The coverage ratio of loans overdue by more than 90 days by impairment stood at 142% in 2015, with the Bank maintaining prudential criteria and having made sufficient impairment appropriations to keep a comfortable coverage of loans overdue.

Customer deposits

In a context of a 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 19%, amounting to 91,450 million meticais in 2015.

The positive performance of total customer funds benefitted from the 14% growth in customer deposits, with the maturity of the debt securities.

The focus on the attraction and growth of customer funds, with a stronger loyalty and expansion of the Customer base, providing a larger network of branches, extending the offer of solutions concerning programmed small savings and medium to long term investments targeting individual customers and reinforcing its involvement in the companies' cash level, was essential to the result obtained in 2015. There was also the strengthening of the excellent service offered to the Customer, as distinctive factors driving the commercial capacities of the distribution network.



Capital

The capital ratios for 2015 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 2015, stood at 19.8%, 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 2015, of the value of 3,391,486,280.57 meticais, should be distributed as follows:

Meticais

	%	Value
Legal reserve	15.00%	508,722,942.09
Free Reserve	47.50%	1,610,955,983.27
Dividend stabilisation reserve	2.50%	84,787,157.01
Distribution to Shareholders	35.00%	1,187,020,198.20

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

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

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

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

[Illegible Signature]
Ricardo David
(Director)

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

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

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

[Illegible Signature]
Moisés Jorge
(Director)

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

[Illegible Signature]
Jorge Manuel de Aguiar Pena
(Director)

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

[Illegible Signature]
Jacinto Zacarias Uqueio
(Director)

Banco Internacional de Moçambique

Consolidated Income Statement
for the year ended on 31 December 2015

MZN '000

	Notes	2015	2014
Interest and similar income	2	**9,670,596**	8,591,768
Interest and similar costs	2	**(3,513,108)**	(2,745,794)
Net interest income		**6,157,488**	5,845,974
Income from equity instruments	3	**1,525**	1,820
Earnings from services and commissions	4	**1,973,015**	1,881,926
Earnings from trading activity	5	**1,741,585**	961,067
Other operating income	6	**1,147,108**	900,029
Total operating income		**11,020,721**	9,590,816
Staff costs	7	**(2,096,304)**	(1,934,954)
Other administrative costs	8	**(2,042,547)**	(1,727,682)
Depreciation	9	**(501,093)**	(449,530)
Total operating costs		**(4,639,944)**	(4,112,166)
Loans impairment	10	**(1,092,876)**	(500,682)
Other provisions	11	**(654,386)**	(406,600)
Net (loss) / income before income tax		**4,633,515**	4,571,368
Taxes			
Current	12	**(888,790)**	(841,978)
Deferred	12	**(7,693)**	(5,790)
		(896,483)	(847,768)
Profit after income tax		**3,737,032**	3,723,600
Consolidated net income for the year attributable to:			
Shareholders of the Bank		**3,684,885**	3,677,928
Non-controlling interests		**52,147**	45,672
Net income for the year		**3,737,032**	3,723,600
Earnings per share	13	**MZN 81.89**	MZN 81.73

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 2015

		MZN '000
	2015	2014
Items that might be reclassified to the income statement		
Financial assets available for sale - fair value changes	**1,693**	(13)
Taxes	**(579)**	4
	1,114	(9)
Items that will not be reclassified		
Revaluation reserves of hedge instruments, under cash flow hedging	**-**	5,101
Taxes	**-**	(816)
Actuarial losses for the year	**(42,024)**	(33,620)
	(42,024)	(29,335)
Other comprehensive income for the period after taxes	**(40,910)**	(29,344)
Consolidated net income for the year	**3,737,032**	3,723,600
Total Comprehensive income for the year	**3,696,122**	3,694,256
Attributable to:		
Shareholders of the Bank	**3,644,191**	3,649,122
Non-controlling interests		
Consolidated net income for the year	**52,147**	45,672
Fair value reserves	**182**	(1)
Taxes	**(58)**	-
Actuarial losses for the year	**(340)**	(537)
	51,931	45,134
Total Comprehensive income for the year	**3,696,122**	3,694,255

See accompanying notes to the consolidated financial statements.

Banco Internacional de Moçambique

Consolidated Balance Sheet as at 31.12.15

	Notes	2015	2014
			MZN '000
Assets			
Cash and deposits at Banco de Moçambique	14	**13,717,022**	8,493,195
Available funds in other credit institutions	15	**1,887,955**	3,217,654
Deposits in credit institutions	16	**6,688,577**	3,910,632
Loans to customers	17	**66,330,980**	56,794,676
Financial assets available for sale	18	**24,203,828**	23,778,019
Investments in associated companies	19	**267,206**	267,258
Investment properties		**52,223**	52,223
Non current assets held for sale	20	**881,730**	889,578
Other tangible assets	21	**5,306,352**	5,255,703
Goodwill and intangible assets	22	**299,252**	285,350
Current tax assets	23	**-**	13,020
Deferred tax assets	24	**21,710**	29,402
Other assets	25	**771,469**	1,230,724
Total Assets		**120,428,304**	**104,217,434**
Liabilities			
Amounts owed to other credit institutions	26	**3,772,002**	2,102,739
Customer funds	27	**89,204,541**	77,143,707
Debt securities issued	28	**-**	1,025,132
Provisions	29	**4,406,373**	3,811,910
Current income tax liabilities	23	**51,143**	95,673
Deferred income tax liabilities	24	**17,538**	16,818
Other liabilities	31	**2,505,455**	1,995,484
Total Liabilities		**99,957,052**	**86,191,463**
Equity			
Share capital	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**15,773,406**	13,351,988
Total equity attributable to the Group		**20,273,406**	**17,851,988**
Non-controlling interests		**197,846**	173,983
Total Equity		**20,471,252**	**18,025,971**
Total equity and liabilities		**120,428,304**	**104,217,434**

See accompanying notes to the financial statements

Banco Internacional de Moçambique

Consolidated Cash Flow Statement
for the year ended on 31 December 2015

MZN '000

	2,015	2,014
Cash flow from operating activities		
Interest and commissions received	**11,753,129**	10,195,335
Interest and commissions paid	**(3,663,229)**	(2,883,531)
Payments to employees and suppliers	**(4,109,069)**	(3,566,133)
Recoveries on loans previously written off	**97,451**	76,897
Net earned premiums	**1,171,385**	1,150,790
Claims incurred	**(456,581)**	(442,471)
Operating earnings before changes in operating funds	**4,793,086**	4,530,887
(Increases)/decreases of operating assets		
Financial assets available for sale	**(211,745)**	(7,479,794)
Deposits in credit institutions	**(2,771,691)**	3,633,924
Deposits at central banks	**(4,180,266)**	(1,166,921)
Loans to customers	**(10,785,165)**	(8,685,125)
Other operating assets	**447,452**	(670,732)
Increases/(decreases) of operating liabilities		
Deposits from other credit institutions	**1,659,598**	619,259
Customer deposits and other loans	**11,933,847**	12,954,055
Liabilities represented by securities	**(1,000,000)**	-
Other operating liabilities	**912,493**	516,788
Net cash flow from operating activities before payment of income tax	**797,609**	4,252,341
Income tax paid	**(920,300)**	(867,682)
Net cash flow from operating activities	**(122,691)**	3,384,659
Cash flow from investment activities		
Acquisition/reinforcement of holdings	**52**	-
Dividends received	**1,525**	1,820
Acquisition of tangible assets	**(520,972)**	(1,756,384)
Values received from the sale of tangible assets	**1,229**	72,298
Net cash flow from investment activities	**(518,166)**	(1,682,266)
Cash flow from financing activities		
Dividends paid	**(1,222,773)**	(1,156,011)
Net cash flow from financing activities	**(1,222,773)**	(1,156,011)
Effect of change in exchange rate on cash and cash equivalents	**1,577,493**	310,079
Increase/(decrease) in cash and cash equivalents	**(286,138)**	856,462
Cash and cash equivalents at the beginning of the year	**6,150,366**	5,293,904
Cash and cash equivalents at the end of the year	**5,864,228**	6,150,366

See accompanying notes to the financial statements

Banco Internacional de Moçambique

Consolidated Statement of Changes in Equity
for the year ended on 31 December 2015

MZN '000

	Total equity	Capital	Legal reserve	Other reserves and retained earnings	Non-controlling interests
Balance as at 01 January 2014	**15,511,884**	**4,500,000**	**2,324,992**	**8,533,884**	**153,008**
Transfer to the legal reserve	-	-	495,433	(495,433)	-
Dividends paid in 2014	(1,180,169)	-	-	(1,156,010)	(24,160)
Comprehensive income	3,694,256	-	-	3,649,122	45,134
Balance as at 31 December 2014	**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**

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 2015

MZN '000

	Notes	2,015	2,014
Interest and similar income	2	**9,449,825**	8,377,570
Interest and similar costs	2	**(3,630,878)**	(2,821,439)
Net interest income		**5,818,947**	5,556,131
Income from equity instruments	3	**250,322**	215,378
Earnings from services and commissions	4	**2,031,780**	1,942,959
Earnings from trading activity	5	**1,639,940**	937,978
Other operating income	6	**212,136**	167,698
Total operating income		**9,953,125**	8,820,144
Staff costs	7	**(2,028,566)**	(1,840,922)
Other administrative costs	8	**(2,095,755)**	(1,792,046)
Depreciation	9	**(467,672)**	(421,141)
Total operating costs		**(4,591,993)**	(4,054,109)
Loans impairment	10	(1,092,876)	(500,682)
Other provisions	11	(175,200)	(96,162)
Net (loss)/income before income tax		4,093,056	4,175,719
Taxes			
Current	12	**(693,877)**	(676,293)
Deferred	12	**(7,693)**	(5,790)
		(701,570)	(682,083)
Net income for the year		**3,391,486**	3,493,636
Earnings per share	13	**MZN 75.37**	MZN 77.64

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 2015

		MZN '000
	2015	2014
Items that will not be reclassified		
Revaluation reserves of hedge instruments, under cash flow hedging	-	5,101
Revaluation reserve taxes	-	(816)
Actuarial gains/(losses) for the year	**39,966**	(28,292)
Other comprehensive income for the period after taxes	**39,966**	(24,007)
Net income for the year	**3,391,486**	3,493,636
Total comprehensive income for the year	**3,431,452**	3,469,629

See accompanying notes to the financial statements

BIM - Banco Internacional de Moçambique, S.A.

Balance Sheet of the Bank as at 31 December 2015

MZN '000

	Notes	2015	2014
Assets			
Cash and deposits at Banco de Moçambique	14	**13,717,022**	8,493,195
Loans and advances in other credit institutions	15	**1,886,454**	3,215,926
Deposits in credit institutions	16	**6,677,456**	3,908,848
Loans to customers	17	**66,330,980**	56,794,676
Financial assets available for sale	18	**22,062,133**	22,186,330
Investments in subsidiaries	19	**356,148**	356,148
Non current assets held for sale	20	**881,730**	889,578
Other tangible assets	21	**4,594,176**	4,538,551
Intangible assets	22	**149,281**	132,016
Deferred tax assets	24	**21,710**	29,402
Other assets	25	**388,413**	957,370
Total assets		**117,065,503**	**101,502,040**
Liabilities			
Amounts owed to other credit institutions	26	**3,772,002**	2,102,739
Customer funds	27	**91,450,263**	79,386,987
Debt securities issued	28	**-**	1,025,132
Provisions	29	**661,853**	463,727
Subordinated liabilities	30	**175,636**	175,611
Current income tax liabilities	23	**34,086**	95,673
Other liabilities	31	**2,211,344**	1,700,531
Total liabilities		**98,305,184**	**84,950,400**
Equity			
Share Capital	32	**4,500,000**	4,500,000
Reserves and retained earnings	33	**14,260,319**	12,051,640
Total equity		**18,760,319**	**16,551,640**
Total Equity and Liabilities		**117,065,503**	**101,502,040**

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 2015

MZN '000

	2015	2014
Cash flow from operating activities		
Interest and commissions received	**11,523,324**	9,970,964
Interest and commissions paid	**(3,689,392)**	(2,897,478)
Payments to employees and suppliers	**(4,184,782)**	(3,603,880)
Recoveries on loans previously written off	**97,451**	76,897
Operating earnings before changes in operating funds	**3,746,601**	3,546,503
(Increases)/decreases of operating assets		
Financial assets available for sale	**396,221**	(7,338,774)
Investments in credit institutions	**(2,763,175)**	3,477,381
Deposits at central banks	**(4,180,266)**	(1,166,921)
Loans to customers	**(10,785,165)**	(8,758,497)
Other operating assets	**637,456**	(711,084)
Increases/(decreases) of operating liabilities		
Deposits from other credit institutions	**1,659,598**	619,259
Customer deposits and other loans	**11,912,188**	13,045,160
Liabilities represented by securities	**(1,000,000)**	-
Other operating liabilities	**783,410**	508,704
Net cash flow from operating activities before payment of income tax	**406,868**	3,221,731
Income tax paid	**(755,464)**	(660,060)
Net cash flow from operating activities	**(348,596)**	2,561,671
Cash flow from investment activities		
Dividends received	**250,322**	215,378
Acquisition of tangible assets	**(541,652)**	(1,136,051)
Values received from the sale of tangible assets	**1,090**	72,083
Net cash flow from investment activities	**(290,240)**	(848,590)
Cash flow from financing activities		
Dividends paid	**(1,222,773)**	(1,156,010)
Interest paid in financing activities	**25**	(12,415)
Net cash flow from financing activities	**(1,222,748)**	(1,168,425)
Effect of change in exchange rate on cash and cash equivalents	**1,575,673**	310,079
Increase/(decrease) in cash and cash equivalents	**(285,911)**	854,735
Cash and cash equivalents at the beginning of the period	**6,148,638**	5,293,903
Cash and cash equivalents at the end of the period	**5,862,727**	6,148,638

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 2015

MZN '000

	Total equity	Share Capital	Legal reserve	Other reserves and retained earnings
Balance as at 01 January 2014	**14,238,022**	**4,500,000**	**2,324,992**	**7,413,030**
Transfer to the legal reserve	-	-	495,433	(495,433)
Dividends paid in 2014	(1,156,011)	-	-	(1,156,011)
Comprehensive income	3,469,629	-	-	3,469,629
Balance as at 31 December 2014	**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**

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

a) Bases of presentation and accounting

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 2015.

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.

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 2015.

All the references in this document related with any normative 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 herein were approved by the Bank's Board of Directors on 19 February 2016, and are stated in MZN 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.

Investments in associates

Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence and the date it ceases to exist. Associates are those entities, in which the Group has significant influence, but not control, over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. Conversely, if the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- representation on the Board of Directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the Group and the investee;
- interchange of the management team; or
- provision of essential technical information.

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 and advances to customers

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

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

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

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

Impairment

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

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

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

(i) Individual analysis

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

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 environment and its influence on the level of historical losses; and
- the estimated period between the occurrence of the loss and its identification.

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

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

When assets are sold to third parties, with a simultaneous swap rate of return on the transferred assets, the transaction will be 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 financial position statement when, and only when, the Bank has the legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenue and expenses are presented on a net basis only when permitted by IFRS, or for 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 write-down 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 recognised through profit or loss when the right to receive them is attributed.

2) Other financial liabilities

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

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

The financial gains or losses calculated in the time of 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.

Derivatives 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 stated as trading instruments.

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

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

(iii) Cash flow hedge

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

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

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

- deferred over the residual period of the hedged instrument; or
- recognised immediately in results, if the hedged instrument is extinguished.

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

(iv) Hedge effectiveness

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

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

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

Hedge accounting

g) Equity 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 income or expenses.

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

Non current assets, 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 disposal, 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 depreciation. In case of unrealized losses, these should be recognized as impairment losses against results.

j) Finance lease transactions

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. Lease rentals are a combination of the finance charge and the amortization of the capital outstanding. 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 amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

k) Interest income and expense

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 income from fees and commissions

The income 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

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

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

n) Other tangible assets

Other tangible assets are recorded at acquisition cost minus 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 an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognized if 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 through profit or loss for the year under Other operating income.

p) Intangible assets

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

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

Software

The Group records as intangible assets the costs associated to software acquired from external entities and depreciates them on a linear basis by an estimated period of three 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) Offseting

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

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.

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

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

(ii) Short term employee benefits

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

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

(iii) Termination of benefits

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

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

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 realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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 contracts

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

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

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

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

(i) Premiums

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

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

(ii) Provision for claims

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

This provision was determined as follows:

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

Through 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 judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies and judgments 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 and 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 and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

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	
	2015	2014	**2015**	2014
Interest and similar income				
Interest on loans and advances	**7,832,885**	7,243,689	**7,832,885**	7,243,689
Interest on deposits and other investments	**25,216**	73,235	**25,042**	70,330
Interest on securities available for sale	**1,812,495**	1,274,844	**1,591,898**	1,063,551
	9,670,596	8,591,768	**9,449,825**	8,377,570
Interest and similar costs				
Interest on deposits and other funds	**3,426,199**	2,628,067	**3,531,255**	2,691,298
Interest on securities issued	**86,743**	117,681	**99,456**	130,095
Other similar costs and interest	**166**	46	**167**	46
	3,513,108	2,745,794	**3,630,878**	2,821,439
Net interest income	**6,157,488**	5,845,974	**5,818,947**	5,556,131

3. Income from equity instruments

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Income from investments in subsidiaries	-	-	**250,322**	215,378
Income from securities available for sale	**1,525**	1,820	-	-
	1,525	1,820	**250,322**	215,378

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

4. Earnings from services and commissions

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Banking services rendered				
From guarantees provided	**526,387**	478,925	**526,387**	478,925
From banking services rendered	**902,323**	930,999	**965,653**	983,482
Insurance activity commissions	**72,070**	58,765	-	-
Other commissions	**738,852**	633,259	**738,851**	633,259
	2,239,632	2,101,948	**2,230,891**	2,095,666
Banking services received				
From guarantees provided	**33,050**	32,681	**33,050**	32,681
From banking services rendered	**84**	3	**83**	-
Insurance activity commissions	**67,504**	67,312	-	-
Other commissions	**165,979**	120,026	**165,978**	120,026
	266,617	220,022	**199,111**	152,707
Net fees and commission income	**1,973,015**	1,881,926	**2,031,780**	1,942,959

5. Earnings from trading activity

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Profits from financial transactions				
Foreign exchange transactions	**1,981,967**	1,011,228	**1,587,444**	941,877
Other transactions	**59,896**	-	**56,845**	7,488
	2,041,863	1,011,228	**1,644,289**	949,365
Losses from financial transactions				
Foreign exchange transactions	**297,077**	48,664	**1,148**	9,890
Other transactions	**3,201**	1,497	**3,201**	1,497
	300,278	50,161	**4,349**	11,387
	1,741,585	961,067	**1,639,940**	937,978

6. Other operating income

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Other operating income				
Income from real estate properties	**16,166**	11,094	**8,991**	3,566
Income from services	**11,753**	14,268	**70,812**	65,213
Reinbursement of expenses	**144,543**	142,166	**144,543**	142,166
Insurance premiums	**1,171,387**	1,150,791	**-**	-
Other operating income	**147,896**	40,277	**63,293**	28,506
	1,491,745	1,358,596	**287,639**	239,451
Other operating costs				
Taxes	**37,014**	26,065	**34,364**	25,236
Donations and quotizations	**17,990**	17,922	**17,618**	17,922
Costs related to claims	**262,599**	381,867	**-**	-
Other operating costs	**27,034**	32,713	**23,521**	28,595
	344,637	458,567	**75,503**	71,753
	1,147,108	900,029	**212,136**	167,698

In December 2015, the value of other income includes the recognition of the positive actuarial deviations of the value of 77,768 thousand meticais in the Group.

7. Staff costs

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Remunerations	**2,002,599**	1,811,590	**1,852,440**	1,677,949
Mandatory social security charges	**68,062**	66,265	**61,851**	56,505
Voluntary social security charges	**13,683**	50,578	**107,169**	101,853
Other staff costs	**11,960**	6,521	**7,106**	4,615
	2,096,304	1,934,954	**2,028,566**	1,840,922

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

	Group		Bank	
	2015	2014	**2015**	2014
Senior management	**160**	144	**142**	131
Specific/Technical staff	**941**	915	**856**	811
Other positions	**1,401**	1,403	**1,355**	1,375
	2,500	2,463	**2,353**	2,317

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 2015, recorded under the heading of Remunerations, stood at 182,308 thousand meticais and 167,047 thousand meticais, respectively (2014: 145,588 thousand meticais and 132,823 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 31.12.15 in the amount of 54,414 thousand meticais and 49,760 thousand meticais, respectively. (2014: 51,117 thousand meticais and 47,729 thousand meticais).

8. Other administrative costs

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Water, electricity and fuel	**84,922**	81,561	**80,603**	76,918
Consumables	**120,311**	96,754	**116,563**	93,272
Hire and rental charges	**182,759**	129,340	**245,132**	189,575
Communications	**147,916**	142,279	**144,665**	139,676
Travel, hotel and representation costs	**66,980**	50,808	**63,122**	49,152
Advertising	**115,865**	91,366	**105,510**	87,702
Costs related to independent work	**107,699**	76,238	**93,206**	50,519
Maintenance and repair	**166,294**	156,158	**160,418**	150,309
Insurance	**7,036**	6,408	**70,752**	64,597
Legal and notary services	**9,802**	9,326	**9,760**	9,302
IT and Consulting	**814,759**	677,896	**793,712**	676,694
Security and surveillance	**93,338**	85,039	**90,601**	82,794
Cleaning of premises	**27,959**	26,178	**27,959**	26,178
Transport of values	**70,962**	78,750	**70,962**	78,750
Staff training	**21,451**	15,688	**21,451**	15,688
Other third party services	**4,494**	3,893	**1,339**	920
	2,042,547	1,727,682	**2,095,755**	1,792,046

9. Depreciation

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Intangible assets				
Software	**62,529**	59,433	**57,287**	53,051
Tangible assets				
Real estate properties	**137,790**	106,456	**120,626**	93,534
Equipment	**300,741**	283,608	**289,726**	274,523
Furniture	**22,869**	17,778	**21,522**	16,855
Office equipment	**10,043**	12,200	**9,996**	12,129
Computer equipment	**133,540**	125,105	**132,100**	123,552
Interior installations	**45,594**	39,206	**45,390**	38,999
Motor vehicles	**54,380**	53,946	**47,710**	48,666
Security equipment	**31,124**	32,394	**31,124**	32,394
Other equipment	**3,191**	2,979	**1,884**	1,928
Other tangible assets	**33**	33	**33**	33
	438,564	390,097	**410,385**	368,090
	501,093	449,530	**467,672**	421,141

10. Loans impairment

MZN '000

	Group 2015	Group 2014	Bank 2015	Bank 2014
Loans granted to customers				
Net allocation for the year	**1,190,326**	577,578	**1,190,326**	577,578
Recovery of loans and interest written off from assets	**(97,450)**	(76,896)	**(97,450)**	(76,896)
	1,092,876	500,682	**1,092,876**	500,682

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 2015	Group 2014	Bank 2015	Bank 2014
Provisions for indirect credit risks				
Impairment for the year	**92,874**	202,877	92,874	**202,877**
Write-back for the year	**(72,183)**	(125,206)	(72,183)	**(125,206)**
Provisions for general banking risks				
Impairment for the year	**8,861**	5,734	**8,861**	**5,734**
Write-back for the year	**-**	(2,614)	**-**	**(2,614)**
Other provisions				
Impairment for the year	**112,500**	523	**112,500**	**523**
Write-back for the year	**(2,916)**	(521)	**(2,916)**	**(521)**
Insurance technical provisions				
Impairment for the year	**461,439**	319,650	**-**	**-**
Write-back for the year	**-**	-	**-**	**-**
Provisions for other assets				
Impairment for the year	**17,746**	186	**-**	**186**
Write-back for the year	**-**	(2,683)	**-**	**-**
Provisions for non-current assets held for sale				
Impairment for the year	**36,065**	12,230	**36,065**	**12,230**
Write-back for the year	**-**	(3,575)	**-**	**(3,575)**
	654,386	**406,600**	**175,200**	89,634

12. Taxes

MZN '000

	Group 2015	Group 2014	Bank 2015	Bank 2014
Current tax	**888,790**	841,978	**693,877**	676,293
Deferred tax				
Tangible assets	**7,693**	5,790	**7,693**	5,790
Total tax costs	**896,483**	847,768	**701,570**	682,083
Reconciliation of the effective tax cost				
Net (loss)/income before income tax	**4,633,515**	4,571,368	**4,093,056**	4,175,719
Current taxes	**893,750**	864,990	**661,284**	663,589
Tax adjustments:				
Impact of non-deductible expenses	**10,335**	10,142	**8,994**	9,192
Impact of non-deductible costs	**22,394**	8,735	**21,860**	8,188
Revenue exempt from tax or not taxable	**(13,674)**	(7,094)	**(13,674)**	-5,193
Amortisation of deferred cost	**(8,239)**	(5,131)	**(8,239)**	(5,131)
Tax benefits	**(40,052)**	(36,955)	**(40,052)**	(36,955)
Income from Public Debt securities - withholding tax	**(359,544)**	(264,156)	**(254,812)**	(170,413)
Tax at withholding interest rate from Public Debt	**383,820**	271,446	**318,515**	213,016
Tax cost	**888,790**	841,978	**693,877**	676,293

The Bank, under the customs and tax benefits established in the Tax Benefit Code in Mozambique (CBFM), approved by Decree number 12/93, of 21 July, benefits from a reduction of 50% in the tax rates applied to the final profit distributable to the shareholders, during the recovery period of the investment that has effectively been made. This benefit ends on 31 December 2015.

13. Earnings per share

	Group		Bank	
	2015	2014	**2015**	2014
				MZN
Net income	**3,684,884,798**	3,677,927,735	**3,391,486,281**	3,493,636,411
Number of shares	**45,000,000**	45,000,000	**45,000,000**	45,000,000
Earnings per share	**81.89**	81.73	**75.37**	77.64

14. Cash and deposits at Banco de Moçambique

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Cash	**3,976,273**	2,932,712	**3,976,273**	2,932,712
Banco de Moçambique	**9,740,749**	5,560,483	**9,740,749**	5,560,483
	13,717,022	8,493,195	**13,717,022**	8,493,195

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

The requirement on the constitution of cash reserves, pursuant to Banco de Moçambique Notice number 02/GBM/2012 establishes the maintenance of a deposit balance at Banco de Moçambique, equivalent to 10.5% of the daily average amount of deposits and other liabilities.

15. Loans and advances to other credit institutions

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Domestic credit institutions	**155,596**	121,474	**154,095**	119,746
Credit institutions abroad	**1,732,359**	3,096,180	**1,732,359**	3,096,180
	1,887,955	3,217,654	**1,886,454**	3,215,926

The heading of Deposits in credit institutions in the country includes collectible values of 136,172 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 2015. (2014: 99,404 thousand meticais).

Breakdown of Deposits in other credit institutions abroad by currency:

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
USD	**904,427**	2,826,482	**904,427**	2,826,482
CAD	**952**	961	**952**	961
ZAR	**3,333**	-	**3,333**	-
DKK	**2,137**	411	**2,137**	411
GBP	**2,954**	14,257	**2,954**	14,257
JPY	-	1,110	-	1,110
NOK	**1,790**	5,128	**1,790**	5,128
SFK	**4,001**	1,800	**4,001**	1,800
CHF	**14,788**	1,927	**14,788**	1,927
EUR	**768,156**	243,376	**768,156**	243,376
AUD	**2,297**	728	**2,297**	728
	1,732,359	3,096,180	**1,732,359**	3,096,180

16. Other loans and advances to credit institutions

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Investments in domestic credit institutions	**3,689,011**	1,583,907	**3,677,890**	1,582,123
Investments in credit institutions abroad	**2,999,566**	2,326,725	**2,999,566**	2,326,725
	6,688,577	3,910,632	**6,677,456**	3,908,848

17. Loans to Customers

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Asset-backed loans	**19,824,405**	15,280,992	**19,824,405**	15,280,992
Personal guaranteed loans	**35,673,873**	28,813,787	**35,673,873**	28,813,787
Unsecured loans	**6,088,612**	7,556,008	**6,088,612**	7,556,008
Public sector	**3,524,836**	3,882,779	**3,524,836**	3,882,779
Loans under financial leasing	**2,176,293**	2,614,680	**2,176,293**	2,614,680
Loans taken in factoring operations	**181,289**	305,777	**181,289**	305,777
	67,469,308	58,454,023	**67,469,308**	58,454,023
Overdue loans - less than 90 days	**91,021**	177,426	**91,021**	177,426
Overdue loans - more than 90 days	**2,948,061**	1,299,990	**2,948,061**	1,299,990
	70,508,389	59,931,439	**70,508,389**	59,931,439
Impairment for credit risks	**(4,177,409)**	(3,136,763)	**(4,177,409)**	(3,136,763)
	66,330,980	56,794,676	**66,330,980**	56,794,676

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

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Short term				
Loans represented by discounted bills	**2,023,599**	2,397,450	**2,023,599**	2,397,450
Current account credits	**6,212,471**	5,530,067	**6,212,471**	5,530,067
Overdrafts	**1,921,710**	2,376,737	**1,921,710**	2,376,737
Loans	**11,484,257**	5,595,507	**11,484,257**	5,595,507
Mortgage loans	**1,390**	560	**1,390**	560
Finance leases	**363,032**	183,434	**363,032**	183,434
Loans taken in factoring operations	**181,289**	305,777	**181,289**	305,777
	22,187,748	16,389,532	**22,187,748**	16,389,532
Medium and long term				
Loans represented by discounted bills				
Loans	**43,469,689**	39,633,806	**43,469,689**	39,633,806
Mortgage loans	**71,544**	163,304	**71,544**	163,304
Finance leases	**1,740,327**	2,267,382	**1,740,327**	2,267,382
	45,281,560	42,064,492	**45,281,560**	42,064,492
Overdue loans - less than 90 days	**91,021**	177,426	**91,021**	177,426
Overdue loans - more than 90 days	**2,948,061**	1,299,990	**2,948,061**	1,299,990
	3,039,081	1,477,416	**3,039,081**	1,477,416
Impairment for credit risks	**(4,177,409)**	(3,136,763)	**(4,177,409)**	(3,136,763)
	66,330,980	56,794,676	**66,330,980**	56,794,676

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

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Agriculture and forestry	**2,448,962**	1,965,463	**2,448,962**	1,965,463
Mining	**1,256,581**	1,908,895	**1,256,581**	1,908,895
Food, beverage and tobacco	**1,230,450**	954,957	**1,230,450**	954,957
Textiles	**6,117**	5,129	**6,117**	5,129
Printing and publishing	**154,091**	114,354	**154,091**	114,354
Chemicals	**1,938,954**	475,974	**1,938,954**	475,974
Machinery and equipment	**1,643,898**	1,374,248	**1,643,898**	1,374,248
Electricity, water and gas	**4,346,760**	3,439,104	**4,346,760**	3,439,104
Construction	**5,345,237**	9,501,578	**5,345,237**	9,501,578
Trade	**7,966,397**	8,970,155	**7,966,397**	8,970,155
Restaurants and hotels	**1,357,339**	1,231,557	**1,357,339**	1,231,557
Transport and communications	**4,425,233**	3,660,343	**4,425,233**	3,660,343
Services	**9,539,085**	7,185,761	**9,539,085**	7,185,761
Consumer credit	**15,074,095**	12,475,157	**15,074,095**	12,475,157
Mortgage loans	**989,978**	990,080	**989,978**	990,080
Mozambican State	**11,722,496**	4,636,710	**11,722,496**	4,636,710
Other activities	**1,062,716**	1,041,974	**1,062,716**	1,041,974
	70,508,389	59,931,439	**70,508,389**	59,931,439
Impairment for credit risks	**(4,177,409)**	(3,136,763)	**(4,177,409)**	(3,136,763)
	66,330,980	56,794,676	**66,330,980**	56,794,676

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

	2015	2014
Agriculture and forestry	**698,141**	698,141
Food, beverage and tobacco	**79,778**	79,778
Textiles	**5,066**	5,066
Printing and publishing	**9,357**	9,357
Chemicals	**20,084**	20,084
Machinery and equipment	**10,483**	10,483
Electricity, water and gas	**9,029**	9,029
Construction	**25,472**	25,472
Trade	**105,100**	105,100
Restaurants and hotels	**34,820**	34,820
Transport and communications	**30,413**	30,413
Services	**61,804**	61,804
Consumer credit	**152,626**	152,626
Mortgage loans	**5,792**	5,792
Other activities	**30,941**	30,941
	1,278,907	1,278,907

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

MZN '000

	2015	2014
Asset-backed loans	**1,489,866**	341,239
Personal guaranteed loans	**1,108,104**	838,268
Unsecured loans	**247,720**	167,825
Public sector	**787**	39
Loans under financial leasing	**192,604**	92,009
Loans taken in factoring operations	**-**	38,037
	3,039,082	1,477,416

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

MZN '000

	2015	2014
Agriculture and forestry	**84,484**	24,828
Mining	**15**	9
Food, beverage and tobacco	**30,565**	21,342
Textiles	**53**	36
Printing and publishing	**1,220**	779
Chemicals	**1,025**	42
Machinery and equipment	**1,040,507**	293
Electricity, water and gas	**809**	762
Construction	**31,829**	59,601
Trade	**91,547**	58,115
Restaurants and hotels	**42,475**	16,705
Transport and communications	**578,668**	401,879
Services	**71,213**	67,590
Consumer credit	**1,031,661**	819,400
Mortgage loans	**13,988**	3,857
Mozambican State	**806**	39
Other activities	**18,217**	2,139
	3,039,082	1,477,416

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

MZN '000

	Group		Bank	
	2015	2014	2015	2014
Balance on 1 January	**3,136,763**	2,969,375	**3,136,763**	2,969,375
Net allocation for the year	**1,190,617**	577,578	**1,190,617**	577,578
Transfers	**-**	(24,435)	**-**	(24,435)
Amounts charged-off	**(342,298)**	(422,085)	**(342,298)**	(422,085)
Exchange rate differences	**192,327**	36,330	**192,327**	36,330
Balance on 31 December	**4,177,409**	3,136,763	**4,177,409**	3,136,763

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

MZN '000

	Classes of overdue			
	Up to 6 months	**6 months to 1 year**	**Over 1 year**	**Total**
Secured overdue loans	560,692	82,006	666,893	1,309,591
Existing impairment	105,362	49,143	528,335	682,839
Unsecured overdue loans	34,742	34,068	99,015	167,825
Existing impairment	20,960	26,611	77,107	124,677
Total overdue loans	595,435	116,074	765,908	1,477,416
Total impairment for overdue loans	126,322	75,754	605,442	807,517
Total impairment for outstanding loans				2,329,246
Total impairment for credit risks				3,136,763

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

MZN '000

	2015	2014
Agriculture and forestry	**427,140**	162,409
Mining	**24,630**	37,959
Food, beverage and tobacco	**40,826**	48,529
Textiles	**132**	105
Printing and publishing	**3,758**	2,918
Chemicals	**38,680**	9,482
Machinery and equipment	**300,284**	41,644
Electricity, water and gas	**85,556**	69,548
Construction	**212,958**	250,032
Trade	**292,221**	346,921
Restaurants and hotels	**39,975**	31,146
Transport and communications	**414,256**	247,691
Services	**314,472**	235,330
Consumer credit	**1,662,710**	1,459,778
Mortgage loans	**55,400**	55,864
Mozambican State	**233,002**	92,101
Other activities	**31,409**	45,306
	4,177,409	3,136,763

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

MZN '000

	2015	2014
Asset-backed loans	**1,419,385**	725,939
Personal guaranteed loans	**2,141,946**	1,813,250
Unsecured loans	**306,375**	301,949
Public sector	**70,548**	77,092
Loans under financial leasing	**235,646**	209,064
Loans taken in factoring operations	**3,509**	9,467
	4,177,409	3,136,763

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

MZN '000

	2015	2014
Agriculture and forestry	**25,049**	19,672
Food, beverage and tobacco	**4**	14
Textiles	**1**	-
Paper, printing and publishing	**141**	-
Chemicals	**32,149**	-
Machines and equipment	**2,545**	15
Electricity, water and gas	**4**	-
Construction	**2,564**	29,305
Trade	**114,004**	45,306
Restaurants and hotels	**15**	93
Transport and communications	**980**	1,872
Services	**1,948**	28,089
Consumer credit	**161,009**	285,314
Mortgage loans	**-**	70
Other activities	**1,885**	12,335
	342,298	422,085

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

MZN '000

	2015	2014
Personal guaranteed loans	**294,625**	353,333
Unsecured loans	**47,673**	68,752
	342,298	422,085

The recovery of annulled loans and interest during the year or in previous years, carried out during 2015, presented by type of credit, is as follows:

MZN '000

	2015	2014
Personal guaranteed loans	**70,652**	41,545
Unsecured loans	**26,799**	35,352
	97,451	76,897

18. Financial assets available for sale

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

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Bonds and other fixed income securities				
Issued by Government and public entities	**24,156,226**	23,738,615	**22,038,612**	22,162,809
	24,156,226	23,738,615	**22,038,612**	22,162,809
Shares and other variable income securities	**54,700**	46,502	**30,619**	30,619
Impairment of shares and other variable income securities	**(7,098)**	(7,098)	**(7,098)**	(7,098)
	24,203,828	23,778,019	**22,062,133**	22,186,330

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. Investments in subsidiaries and associates

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
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 2015, the equity of the subsidiary amounted to 2,037,518 thousand meticais (In 2014: 1,786,586 thousand meticais).

As at 31.12.15, the Bank's percentage holding in the subsidiary is demonstrated as follows:

MZN

Subsidiary	Head office	Share capital	Economic activity	Holding (%)	Consolidation method
Seguradora Internacional de Moçambique, S.A.	Maputo	147,500,000	Insurance	89.91	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 31.12.15, the Group's percentage holding in the associates is demonstrated as follows:

MZN '000

Associate	Head office	Share capital	Economic activity	Effective holding (%)		Book balance sheet	
				Dec-15	Dec-14	Dec-15	Dec-14
Constellation, S.A.	Maputo	1,053,508	Real estate management	17,98	17,98	250.208	250.208
Beira Nave	Beira	2,850	Shipyards	20,54	20,54	16.998	17.049
						267.258	267.258

20. Non-current assets held for sale

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Investments due to recovered loans				
Real estate properties	**1,051,338**	1,025,104	**1,051,338**	1,025,104
Equipment and other	**9,813**	7,830	**9,813**	7,830
	1,061,151	1,032,934	**1,061,151**	1,032,934
Impairment	**(179,421)**	(143,356)	**(179,421)**	(143,356)
	881,730	889,578	**881,730**	889,578

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

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Balance on 1 January	**143,356**	118,853	**143,356**	118,853
Impairment for the year	**36,065**	12,230	**36,065**	12,230
Reversal for the year	**-**	(3,575)	**-**	(3,575)
Uses	**-**	(9,182)	**-**	(9,182)
Transfers	**-**	25,029	**-**	25,029
Balance at the end of the year	**179,421**	143,356	**179,421**	143,356

21. Other tangible assets

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

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Real estate properties	**4,112,886**	4,058,783	**3,275,297**	3,221,194
Works in rented buildings	**732,581**	620,902	**732,581**	620,902
Equipment				
Furniture	**324,454**	312,190	**318,005**	306,519
Office equipment	**148,341**	147,145	**145,014**	143,869
Computer equipment	**1,571,881**	1,389,932	**1,558,650**	1,377,729
Interior installations	**678,093**	562,558	**671,323**	559,426
Motor vehicles	**412,871**	365,759	**357,872**	327,330
Security equipment	**261,308**	241,858	**261,308**	241,858
Other tangible assets	**55,144**	52,340	**43,911**	42,220
Investments in progress	**155,507**	271,938	**155,507**	271,938
	8,453,065	8,023,405	**7,519,468**	7,112,985
Accumulated depreciation and impairment	**(3,146,713)**	(2,767,702)	**(2,925,292)**	(2,574,434)
	5,306,352	5,255,703	**4,594,176**	4,538,551

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	(189,790)
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	(1,223)	(44,283)
	(2,767,702)	(438,564)	59,553	-	(3,146,713)

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

MZN '000

	Balance as at 1 January 2014	Acquisitions/ Allocations	Disposals/Write-offs	Transfers	Balance as at 31 December 2014
Cost					
Real estate properties	1,269,987	178,225	-	2,610,571	4,058,783
Works in rented buildings	619,192	5,801	(102,803)	98,713	620,902
Equipment					
Furniture	253,686	12,046	(794)	47,253	312,190
Office equipment	141,559	5,715	(128)	-	147,145
Computer equipment	1,240,578	30,603	(341)	119,092	1,389,932
Interior installations	515,473	36,508	(168)	10,745	562,558
Motor vehicles	354,495	29,141	(17,877)	-	365,759
Security equipment	219,250	18,677	-	3,932	241,858
Other tangible assets	47,344	5,044	(49)	-	52,339
Fixed assets in progress	2,288,807	873,436	-	(2,890,305)	271,939
	6,950,369	1,195,195	(122,159)	-	8,023,405
Accumulated depreciation					
Real estate properties	(252,326)	(59,934)	-	-	(312,259)
Works in rented buildings	(272,384)	(46,925)	31,030	-	(288,279)
Equipment					
Furniture	(151,040)	(17,375)	627	-	(167,788)
Office equipment	(104,921)	(12,200)	72	-	(117,049)
Computer equipment	(986,365)	(125,105)	269	1	(1,111,200)
Interior installations	(268,599)	(39,206)	60	-	(307,745)
Motor vehicles	(227,377)	(53,946)	17,764	-	(263,558)
Security equipment	(127,564)	(32,394)	-	(1)	(159,959)
Other tangible assets	(36,891)	(3,013)	39	-	(39,865)
	(2,427,467)	(390,097)	49,861	-	(2,767,702)

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)

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

MZN '000

	Balance as at 1 January 2014	Acquisitions/ Allocations	Disposals/Write-offs	Transfers	Balance as at 31 December 2014
Cost					
Real estate properties	592,200	18,422	-	2,610,571	3,221,194
Works in rented buildings	619,192	5,801	(102,803)	98,713	620,902
Equipment					
Furniture	247,878	11,939	(551)	47,253	306,519
Office equipment	138,169	5,700	-	-	143,869
Computer equipment	1,228,352	30,387	(72)	119,092	1,377,729
Interior installations	512,341	36,508	(168)	10,745	559,427
Motor vehicles	319,561	21,749	(13,980)	-	327,330
Security equipment	219,250	18,676	-	3,932	241,858
Other tangible assets	40,461	1,760	-	0	42,220
Fixed assets in progress	2,288,806	873,436	-	(2,890,305)	271,937
	6,206,211	1,024,348	(117,574)	-	7,112,985
Accumulated depreciation					
Real estate properties	(119,136)	(46,609)	-	-	(165,745)
Works in rented buildings	(272,384)	(46,925)	31,030	-	(288,279)
Equipment					
Furniture	(147,859)	(16,855)	456	-	(164,258)
Office equipment	(101,908)	(12,129)	-	-	(114,037)
Computer equipment	(978,539)	(123,552)	72	1	(1,102,018)
Interior installations	(265,674)	(38,999)	60	-	(304,613)
Motor vehicles	(205,896)	(48,666)	13,873	-	(240,689)
Security equipment	(127,564)	(32,394)	-	(1)	(159,959)
Other tangible assets	(32,876)	(1,961)	-	-	(34,837)
	(2,251,836)	(368,090)	45,491	-	(2,574,434)

22. Goodwill and Other intangible assets

MZN '000

	Group		Banco
	2015	2014	2014
Intangible assets			
Software	**646,087**	551,070	492,248
Investments in progress	**23,217**	41,806	28,815
	669,304	592,876	521,063
Accumulated depreciation	**(492,364)**	(429,839)	(389,047)
	176,940	163,037	132,016
Consolidation and revaluation differences (Goodwill)			
Seguradora Internacional de Moçambique, S.A.	**122,313**	122,313	-
	299,253	285,350	132,016

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

MZN '000

	Balance as at 1 January 2015	Acquisitions/ Allocations	Transfers	Balance as at 31 December 2015
Cost				
Software	551,070	68,956	26,061	646,087
Investments in progress	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
Accumulated depreciation				
Software	(429,839)	(62,525)	-	(492,364)
Net book value	285,350	13,902	-	299,252

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

MZN '000

	Balance as at 1 January 2014	Acquisition /Allocation	Balance as at 31 December 2014
Cost			
Software	513,624	37,446	551,070
Fixed assets in progress	8,412	33,394	41,806
	522,036	70,840	592,876
Goodwill	122,313	-	122,313
	644,349	70,840	715,189
Accumulated depreciation			
Software	(370,406)	(59,433)	(429,839)
Net book value	273,943	11,407	285,350

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

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

MZN '000

	Balance as at 1 January 2014	Acquisitions /Allocations	Balance as at 31 December 2014
Cost			
Software	458,655	33,592	492,247
Fixed assets in progress	8,412	20,404	28,816
	467,067	53,996	521,063
Accumulated depreciation			
Software	(335,996)	(53,051)	(389,047)
Net book value	131,071	945	132,016

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

Pursuant to IAS 36, the recoverable value of goodwill should be the greater figure between its value in use (i.e., the present value of the future cash flows expected from its use) and its fair value minus selling costs. Based on these criteria, in 2015, 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 2015 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 2016 and its projections for the period of 2017 to 2020, provided by this company. The estimated value was prepared based on the application of market multiples (price-to-earnings ratio (PER) and price-to-book value (PBV)) and the dividend discount model (DDM) method. The projected statements have neither been audited nor subject to any adjustments.

The calculation of the estimated value of BIM's financial holding in SIM, and in view of the results arising from the application of the internal valuation methods considered (where the estimates via DDM and PER lead to significantly higher values than the estimated book value of the holding), led to the conclusion that on the present date and according to merely financial criteria, it was not necessary to deduct any impairment from the value of the goodwill as at 31.12.15.

23. Current tax assets and liabilities

MZN '000

	Group 2015		Group 2014	
	Assets	**Liabilities**	Assets	Liabilities
IRPC recoverable	-	-	13,020	-
IRPC payable	-	**51,143**	-	95,673
	-	**51,143**	13,020	95,673

	Bank 2015		Bank 2014	
	Assets	**Liabilities**	Assets	Liabilities
IRPC recoverable	-	-	-	-
IRPC payable	-	**34,086**	-	95,673
	-	**34,086**	-	95,673

24. Deferred tax assets and liabilities

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

MZN '000

	Group 2015		Group 2014	
	Assets	**Liabilities**	Assets	Liabilities
Tangible assets	**21,710**	**11,962**	29,402	11,962
Financial assets available for	-	**2,258**	-	1,538
Other	-	**3,318**	-	3,318
Deferred tax assets/liabilities	**21,710**	**17,538**	29,402	16,818
	4,172		12,584	

	Bank 2015		Bank 2014	
	Assets	**Liabilities**	Assets	Liabilities
Tangible assets	**21,710**	-	29,402	-
Deferred tax assets	**21,710**	-	29,402	-

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

MZN '000

	Group		Bank	
	2015	2014	**2015**	2014
Balance on 1 January	**12,584**	18,680	**29,402**	35,193
Impairment for the year	**(8,413)**	(6,096)	**(7,693)**	(5,791)
	4,172	12,584	**21,710**	29,402

25. Other assets

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Debtors	**46,676**	67,118	**69,263**	43,051
Other amounts receivable	**3,551**	-	**67,586**	59,122
Prepayments and deferred costs	**29,453**	34,382	**28,994**	34,242
Balances receivable of the insurance activity	**337,983**	247,272	**-**	-
Miscellaneous accounts	**236,905**	833,450	**236,392**	832,872
Reinsurance provisions assigned	**175,131**	87,081	**-**	-
	829,699	1,269,303	**402,235**	969,287
Impairment for other assets	**(58,230)**	(38,579)	**(13,822)**	(11,917)
	771,469	1,230,724	**388,413**	957,370

As at 31 December 2015, the heading of Miscellaneous accounts includes the value of 76,995 thousand meticais (31 December 2014: 495,055 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-15	Dec-14	**Dec-15**	Dec-14
Balance on 1 January	**38,579**	40,502	**11,917**	11,100
Impairment for the year	**17,746**	186	**-**	186
Reversal for the year	**-**	(2,683)	**-**	-
Transfers	**-**	86	**-**	86
Exchange rate fluctuation	**1,905**	488	**1,905**	545
Balance at the end of the period	**58,230**	38,579	**13,822**	11,917

26. Amounts owed to other credit institutions

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Resources of the Banco de Moçambique				
Short term loans	**1,210,032**	-	**1,210,032**	-
Medium to long term loans	**79,498**	38,306	**79,498**	38,306
Resources of other credit institutions in Portugal				
Demand deposits	**92,779**	62,776	**92,779**	62,776
Short term loans	**988,182**	1,103,095	**988,182**	1,103,095
Resources of other credit institutions abroad				
Demand deposits	**39,365**	24,094	**39,365**	24,094
Short term loans	**214,646**	34,468	**214,646**	34,468
Medium to long term loans	**1,147,500**	840,000	**1,147,500**	840,000
	3,772,002	2,102,739	**3,772,002**	2,102,739

27. Customer funds:

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Repayable on demand	**50,659,063**	45,399,690	**50,688,712**	45,491,664
Term deposits	**38,116,562**	31,267,954	**40,332,635**	33,419,260
Other Resources	**428,916**	476,063	**428,916**	476,063
	89,204,541	77,143,707	**91,450,263**	79,386,987

28. Debt securities issued

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Bonds				
BIM bonds 2010-2015	**-**	1,025,132	**-**	1,025,132
	-	1,025,132	**-**	1,025,132

29. Provisions

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Provisions for indirect credit	**473,386**	396,629	**473,386**	396,629
Provisions for general banking risks	**59,641**	47,857	**59,641**	47,857
Provisions for other risks and costs	**128,826**	19,241	**128,826**	19,241
Technical provisions of the insurance activity	**3,744,520**	3,348,183	**-**	-
	4,406,373	3,811,910	**661,853**	463,727

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

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Balance on 1 January	**396,629**	303,801	**396,629**	303,801
Impairment for the year	**92,874**	202,877	**92,874**	202,877
Write-back for the year	**(72,183)**	(125,206)	**(72,183)**	(125,206)
Transfers	**-**	(681)	**-**	(681)
Exchange rate differences	**56,067**	15,838	**56,067**	15,838
Balance at the end of the period	**473,386**	396,629	**473,386**	396,629

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

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Balance on 1 January	**47,857**	43,680	**47,857**	43,680
Impairment for the year	**8,861**	5,734	**8,861**	5,734
Write-back for the year	**-**	(2,614)	**-**	(2,614)
Exchange rate differences	**4,584**	803	**4,584**	803
Uses for the year	**(1,661)**	255	**(1,661)**	255
Balance at the end of the period	**59,641**	47,857	**59,641**	47,857

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-15	Dec-14	**Dec-15**	Dec-14
Balance on 1 January	**19,241**	19,239	**19,241**	19,239
Impairment for the year	**112,500**	523	**112,500**	523
Reversal for the year	**(2,915)**	(521)	**(2,915)**	(521)
Balance at the end of the period	**128,826**	19,241	**128,826**	19,241

The heading of Technical provisions for the insurance activity includes: (i) Mathematical provisions, (ii) Provision for participation in profit, (iii) Provisions for non-acquired premiums, and (iv) Provision for claims. The net allocation for the year of the first three provisions, of the value of 461,439 thousand meticais, (2014: 319,650 thousand meticais), is recorded through profit or loss under the heading of Other provisions (see Note 11) and the net allocation for the year of the Provision for claims, of the value of 262,599 thousand meticais (2014: 381,867 thousand meticais), is recorded through profit or loss under the heading of Other net operating income (see Note 6).

30. Subordinated liabilities

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Subordinated loans				
BIM bonds 2006 - 2016	**-**	-	**175,636**	175,611
	-	-	**175,636**	175,611

The issued subordinated loan presents the following characteristics:

MZN '000

Description of the issue	Date of issue	Redemption date	Interest rate %	Issue value
BIM 2006 - 2016	14/12/2006	14/12/2016	7,5%(*)	175,000

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

31. Other liabilities

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Suppliers	**112,224**	48,767	**94,018**	10,916
Miscellaneous creditors	**754,447**	421,238	**551,032**	227,379
VAT payable	**10,394**	5,052	**10,394**	3,250
Tax withholdings	**134,379**	112,083	**120,065**	95,819
Social Security contributions	**6,899**	6,281	**6,899**	6,281
Costs payable	**362,736**	373,349	**353,673**	369,274
Staff costs	**530,632**	490,236	**484,314**	453,672
Deferred income	**156,113**	151,280	**156,113**	151,280
Consigned funds	**27,914**	50,232	**27,914**	50,232
Other payables	**409,717**	336,966	**406,922**	332,428
	2,505,455	1,995,484	**2,211,344**	1,700,531

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 31.12.15, the shareholder structure is presented as follows:

	Jul-05 Nr. Shares	**% Share capital holding**	Jul-05 Nr. Shares	% Share capital holding
Millennium BCP Participações, SGPS, Lda	**30,008,460**	**66.69%**	30,008,460	**66.69%**
State of Mozambique	**7,704,747**	**17.12%**	7,704,747	**17.12%**
INSS (National Social Security Institute)	**2,227,809**	**4.95%**	2,227,809	**4.95%**
EMOSE - Empresa Moçambicana de Seguros, SARL	**1,866,309**	**4.15%**	1,866,309	**4.15%**
FDC (Foundation for the Development of the Community)	**487,860**	**1.08%**	487,860	**1.08%**
Managers, Technicians and Employees (GTT)	**2,704,815**	**6.01%**	2,704,815	**6.01%**
	45,000,000	**100.00%**	45,000,000	**100.00%**

33. Reserves and retained earnings

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Legal reserve	**3,344,470**	2,820,425	**3,344,470**	2,820,425
Other reserves and retained earnings	**8,744,051**	6,853,635	**7,524,363**	5,737,579
Net income for the year	**3,684,885**	3,677,928	**3,391,486**	3,493,636
	15,773,406	13,351,988	**14,260,319**	12,051,640

Under the terms of the Mozambican legislation in force, Law number 15/99 - Credit Institutions, the Bank should reinforce the legal reserve on an annual basis by at least 15% of the annual net profit, until the reserve equals the share capital, where this reserve is not normally distributable. Pursuant to the net profit for the financial year of 2014, the Bank allocated the value of 524,045 thousand meticais to the legal reserve in 2015 (2014: 495,433 thousand meticais).

34. Dividends

Pursuant to the deliberation of the Ordinary General Meeting held on 26 March 2015, the Board of Directors decided to distribute 35% of the Net Income recorded as at 31 December 2014, after the constitution of the Legal Reserve, to the value of 1,222,773 thousand meticais (2014: 1,180,169 thousand meticais).

35. Guarantees and future commitments

The off-balance sheet values are analysed as follows:

MZN '000

	Group		Bank	
	Dec-15	Dec-14	**Dec-15**	Dec-14
Guarantees provided				
Personal guarantees	**23,047,092**	17,487,278	**23,047,092**	17,487,278
Asset-backed guarantees	**1,043,439**	744,525	**1,043,439**	744,525
Guarantees received				
Personal guarantees	**243,318,745**	175,836,812	**243,318,745**	175,836,812
Asset-backed guarantees	**64,109,570**	65,471,166	**64,109,570**	65,471,166
Commitments to third parties	**13,368,284**	11,051,419	**13,368,284**	11,051,419
Spot foreign exchange transactions:				
Purchases	**256,661**	5,162,069	**256,661**	5,162,069
Sales	**245,314**	4,973,701	**245,314**	4,973,701
Forward foreign exchange transactions:				
Purchases	**390,340**	230,251	**390,340**	230,251
Sales	**373,939**	238,472	**373,939**	238,472

36. Related parties

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

	2015				2014			
	Assets			Off-balance sheet	Assets			Off-balance sheet
	Funds avail. of CI	Investments of CI	Other Assets	Asset-backed guar. prov.	Funds avail. of CI	Investments of CI	Other assets	Asset-backed guar. prov.
Banco Comercial Português S.A.	757,796	183,603	-	-	131,486	134,400	-	-
Millennium bcp Bank & Trust (Cayman)	2,001	6,435	-	6,426	1,515	4,707	-	4,704
Seguradora Internacional de Moçambique,SA	-	-	111,878	-	-	-	59,122	-
	759,797	190,037	111,878	6,426	133,001	139,108	59,122	4,704

	2015				2014			
	Liabilities				Liabilities			
	Securities issued of CI	Customer deposits	Other liabilities	Subordinated Liabilities	Securities issued of CI	Customer deposits	Other liabilities	Subordinated liabilities
Banco Comercial Português S.A.	10,879	-	538,373	-	8,026	-	225,093	-
Millennium BCP Partic SGPS LDA	-	35,800	-	-	-	32,458	-	-
Seguradora Internacional de Moçambique,SA	-	2,245,721	-	175,636	-	2,243,280	-	175,611
	10,879	2,281,521	538,373	175,636	8,026	2,275,737	225,093	175,611

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

	2015			2014		
	Operating income			Operating income		
	Interest and income Income	Earnings from services and commissions	Other earnings op. income	Interest and income Income	Earnings from services and commissions	Other earnings op. income
Banco Comercial Português S.A.	299	-	-	890	-	-
Millennium bcp Bank & Trust (Cayman)	40	-	-	26	-	-
Seguradora Internacional de Moçambique,SA	-	63,330	59,059	-	52,483	50,944
	339	63,330	59,059	915	52,483	50,944

	2015				2014			
	Operating costs				Operating costs			
	Interest and Income	Earnings from services and commissions	Staff Staff	Other admin. costs	Interest and Income	Earnings from services and commissions	Staff Staff	Other admin. costs
Banco Comercial Português S.A.	299	-	-	479,468	482	-	-	426,547
Millennium BCP Partic SGPS LDA	4,232	-	-	-	3,391	-	-	-
Seguradora Internacional de Moçambique,SA	117,770	-	100,821	141,692	75,645	-	54,382	134,519
	122,301	-	100,821	621,160	79,518	-	54,382	561,065

Loans to members of the Management and Supervisory Boards and their direct family, recorded as at 31.12.15, reached 7,874 thousand meticais (2014: 1,332 thousand meticais). These loans were granted in accordance with the applicable legal and regulatory standards.

As at 31.12.15, Deposits stood at 364,293 thousand meticais (2014: 238,265 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	
	Dec-15	Dec-14	Dec-15	Dec-14
Available funds in cash	**3,976,273**	2,932,712	**3,976,273**	2,932,712
Available funds in domestic credit institutions	**155,596**	121,474	**154,095**	119,746
Available funds in credit institutions abroad	**1,732,359**	3,096,180	**1,732,359**	3,096,180
	5,864,228	6,150,366	**5,862,727**	6,148,638

38. Fair value

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

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

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

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

Loans to customers

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

Financial assets available for sale

The Group uses the following Fair value hierarchy with 3 levels in the valuation of financial instruments (assets and liabilities), which reflects the level of judgment, the observability of the data used and the importance of 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 31.12.15 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	2015	2014
Assets	**1,792**	1,889
Retired and pensioners	**502**	496
	2,294	2,385

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

	2015	2014
Projected benefit liabilities		
Retired and pensioners	**(1,014,499)**	(1,018,567)
Employees	**(1,119,369)**	(984,809)
	(2,133,868)	(2,003,376)
Value of the assets	**2,096,916**	2,011,537
Net assets/(liabilities) in the balance sheet	**(36,952)**	8,161
Accumulated actuarial deviations recognised under other comprehensive income	**(85,591)**	**(43,567)**

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

MZN '000

	2015			2014
	Retirement pensions	**Retirement pension supplement**	**Total**	**Total**
Balance as at 1 January	**1,018,567**	**984,809**	**2,003,376**	1,852,177
Included in the net income for the year				
Current service cost	-	**58,196**	**58,196**	51,083
Interest costs	**73,486**	**74,083**	**147,569**	136,562
Actuarial gains and losses	**(1,819)**	**43,843**	**42,024**	65,683
Benefits paid	**(75,735)**	**(41,562)**	**(117,297)**	(102,129)
Liabilities at the end of the year	**1,014,499**	**1,119,369**	**2,133,868**	2,003,376

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

MZN '000

	2015	2014
Current service cost	**58,196**	**51,083**
Net interest cost/(income) in the liability coverage balance	**(693)**	**34**
Cost of the year	**57,503**	**51,117**

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

MZN '000

	2015		2014	
	+1,00%	-1,00%	+1,00%	-1,00%
Discount rate	101,090	117,987	-93,527	109,644
Future wage growth	113,315	-98,930	105,537	-91,751
Future growth of the pension fund	97,346	-83,048	101,165	-87,359

Other employee benefits - Bank

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

Number of participants	2015	2014
Assets	1,682	1,775
Retired and pensioners	502	496
	2,184	2,271

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

	2015	2014
Projected benefit liabilities		
Retired and pensioners	(1,014,499)	(1,018,567)
Employees	(1,048,836)	(932,159)
	(2,063,335)	(1,950,726)
Value of the assets	2,107,881	1,958,603
Net assets/(liabilities) in the balance sheet	44,546	7,877
Accumulated actuarial deviations recognised under other comprehensive income	388	(39,578)

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

MZN '000

	2015			2014
	Retirement pensions	Retirement pension supplement	Total	Total
Balance as at 1 January	1,018,567	932,159	1,950,726	1,810,101
Included in the net income for the year				
Current service cost	-	53,728	53,728	47,299
Interest costs	73,486	69,991	143,477	133,312
Actuarial gains and losses	(1,819)	39,621	37,802	60,821
Rotations in the group	-	(5,101)	(5,101)	-
Benefits paid	(75,735)	(41,562)	(117,297)	(100,807)
Liabilities at the end of the year	1,014,499	1,048,836	2,063,335	1,950,726

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

MZN '000

	2015	2014
Balance as at 1 January	1,958,603	1,803,431
Actuarial gains and losses	77,768	32,531
Technical Transformations associated to Rotations	(5,101)	-
Millennium bim contributions	49,760	90,566
Benefits paid by the fund	(117,297)	(100,807)
Expected income	144,148	132,882
Balance as at 31 December	2,107,881	1,958,603

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

	MZN '000	
	2015	**2014**
Balance as at 1 January	**(7,877)**	6,670
(Gains) and losses - liabilities	**37,802**	60,821
(Gains) and losses - plan assets	**(77,768)**	(32,530)
Group's contributions	**(49,760)**	(90,566)
Attribution of benefits for the year		
Current service cost	**53,728**	47,299
Net interest cost/(income) in the liability coverage balance	**(671)**	429
Balance as at 31 December	**(44,546)**	(7,877)

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

	2015	**2014**
Ordinary shares	0.47%	0.42%
Bonds and other fixed income securities	51.42%	46.15%
Real estate properties	32.34%	36.55%
Term deposits	15.77%	16.88%
	100%	100%

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

	MZN '000	
	2015	2014
Current service cost	**53,728**	47,299
Net interest cost/(income) in the liability coverage balance	**(671)**	430
Cost of the year	**53,057**	47,729

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

	2015	**2014**
Normal retirement age:		
Men	60	60
Women	55	55
Wage growth	6.50%	6.00%
Growth of pensions	4.00%	3.50%
Rate of return of the fund	8.00%	7.50%
Discount rate	8.00%	7.50%
Mortality tables	PF 60/64	PF 60/64

As at 31.12.15, the weighted average duration of the liabilities is 19 years (2014: 20 years).

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

				MZN '000
	2015		**2014**	
	+1,00%	-1,00%	+1,00%	-1,00%
Discount rate	-93,684	109,196	-87,246	102,099
Future wage growth	104,761	-91,586	98,188	-85,514
Future growth of pensions	157,797	-128,775	101,165	-87,359

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.

Seniority bonus				MZN '000
	Group		Bank	
	2015	**2014**	**2015**	**2014**
Seniority bonus	**99,998**	94,452	**90,584**	86,568

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 2015

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 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**
Depreciation/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
Assets					
Loans to Customers	22,365,285	43,965,695	-	-	66,330,980
Liabilities					
Customer deposits	51,695,628	37,508,912	-	-	89,204,541

MZN '000

31 December 2014	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Net Interest Income	2,385,274	3,170,858	288,747	1,095	**5,845,974**
Earnings from services and commissions	1,147,588	795,371	(61,033)	-	**1,881,926**
Net income from financial transactions	446,803	491,175	30,577	(7,488)	**961,067**
Other operating income	221,824	161,252	923,052	(404,279)	**901,849**
Total operating income	**4,201,489**	**4,618,656**	**1,181,343**	**(410,672)**	**9,590,816**
Staff costs	1,221,856	619,066	148,414	(54,382)	**1,934,954**
Other administrative costs	1,115,052	676,994	70,154	(134,518)	**1,727,682**
Depreciation/amortisation for the year	282,431	138,710	15,467	12,922	**449,530**
Total operating costs	**2,619,339**	**1,434,770**	**234,035**	**(175,978)**	**4,112,166**
Loan impairment	169,665	331,062	-	-	**500,727**
Other provisions	30,366	59,268	316,966	-	**406,600**
Pre-tax profit	**1,382,119**	**2,793,556**	**630,342**	**(234,694)**	**4,571,323**
Taxes	225,770	456,313	165,685	-	**847,768**
Non-controlling interests	-	-	-	45,672	**45,672**
Net Income for the Year Attributable to Shareholders	**1,156,349**	**2,337,243**	**464,657**	**(280,366)**	**3,723,555**

MZN '000

31 December 2014	Retail Banking	Corporate Banking	Insurance	Other	Consolidated total
Assets					
Loans to Customers	17,987,344	38,807,332	-	-	56,794,676
Liabilities					
Customer deposits	46,825,293	30,318,414	-	-	77,143,707

41. Risk management

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

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

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

Main Types of Risk

Credit – Credit risk is associated 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 fulfil 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 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 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**
Written-off							
Cash and deposits at Banco de Moçambique	13,717,022	-	-	-	-	-	13,717,022
Available funds in other credit institutions	1,887,955	-	-	-	-	-	1,887,955
Deposits in credit institutions	927,640	2,065,500	3,687,220	-	-	8,217	6,688,577
Loans to customers	19,990,986	5,307,656	40,312,798	182,120	612,148	(74,728)	66,330,980
Financial assets available for sale	4,858,796	3,900,000	13,542,356	1,315,233	617,175	(29,732)	24,203,828
Other assets	-	-	-	-	-	7,599,942	7,599,942
Total assets	**41,382,399**	**11,273,156**	**57,542,374**	**1,497,353**	**1,229,323**	**7,503,699**	**120,428,304**
Liabilities							
Deposits from other credit institutions	2,525,864	104,318	183,634	208,636	730,227	19,323	3,772,002
Customer Deposits	65,865,606	10,374,630	11,866,170	412,370	-	685,765	89,204,541
Debt securities issued	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	6,980,509	6,980,509
Total liabilities	**68,391,470**	**10,478,948**	**12,049,804**	**621,006**	**730,227**	**7,685,597**	**99,957,052**
Total liabilities and equity	**68,391,470**	**10,478,948**	**12,049,804**	**621,006**	**730,227**	**28,156,849**	**120,428,304**
Interest rate risk gaps	**(27,009,071)**	**794,208**	**45,492,570**	**876,347**	**499,096**	**(20,653,150)**	**-**
Accumulated interest rate risk gap	**(27,009,071)**	**(26,214,863)**	**19,277,707**	**20,154,054**	**20,653,150**	**-**	**-**

31 December 2014	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Total assets	33,753,909	13,832,488	47,792,634	112,226	1,519,495	7,206,682	104,217,434
Total liabilities and equity	58,289,609	6,533,938	13,998,762	417,130	534,545	24,443,450	104,217,434
Interest rate risk gaps	(24,535,700)	7,298,550	33,793,872	(304,904)	984,950	(17,236,768)	-
Accumulated interest rate risk gap	(24,535,700)	(17,237,150)	16,556,722	16,251,818	17,236,768	-	-

MZN '000

Bank							
31.12.15	**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	13,717,022	-	-	-	-	-	13,717,022
Available funds in other credit institutions	1,886,454	-	-	-	-	-	1,886,454
Deposits in credit institutions	927,640	2,065,500	3,678,426	-	-	5,890	6,677,456
Loans to customers	19,990,986	5,307,656	40,312,798	182,120	612,148	(74,728)	66,330,980
Financial assets available for sale	4,858,796	3,900,000	13,384,856	-	-	(81,519)	22,062,133
Other assets	-	-	-	-	-	6,391,458	6,391,458
Total assets	**41,380,898**	**11,273,156**	**57,376,080**	**182,120**	**612,148**	**6,241,101**	**117,065,503**
Liabilities							
Deposits from other credit institutions	2,525,864	104,318	183,634	208,636	730,227	19,323	3,772,002
Customer Deposits	67,728,188	10,379,394	12,235,148	412,370	-	695,163	91,450,263
Subordinated liabilities	-	-	175,000	-	-	636	175,636
Other liabilities	-	-	-	-	-	2,907,283	2,907,283
Total liabilities	**70,254,052**	**10,483,712**	**12,593,782**	**621,006**	**730,227**	**3,622,405**	**98,305,184**
Total liabilities and equity	**70,254,052**	**10,483,712**	**12,593,782**	**621,006**	**730,227**	**22,382,724**	**117,065,503**
Interest rate risk gaps	**(28,873,154)**	**789,444**	**44,782,298**	**(438,886)**	**(118,079)**	**(16,141,623)**	**-**
Accumulated interest rate risk gap	**(28,873,154)**	**(28,083,710)**	**16,698,588**	**16,259,702**	**16,141,623**	**-**	**-**

31.12.14	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**	**With no interest rate risk**	**Total**
Total assets	33,752,181	12,956,241	47,125,818	112,226	1,519,495	6,036,079	101,502,040
Total liabilities and equity	60,171,593	6,543,037	14,249,377	592,130	534,545	19,411,358	101,502,040
Interest rate risk gaps	(26,419,412)	6,413,204	32,876,441	(479,904)	984,950	(13,375,279)	-
Accumulated interest rate risk gap	(26,419,412)	(20,006,208)	12,870,233	12,390,329	13,375,279	-	-

(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
	31.12.2015			31.12.2014		
	Dollars (USD)	**Other foreign currency**	**Total**	**Dollars (USD)**	**Other foreign currency**	**Total**
Written-off						
Cash and deposits at Banco de Moçambique	1,396,642	240,079	1,636,720	1,275,203	157,622	1,432,825
Available funds in other credit institutions	904,427	828,174	1,732,600	2,827,757	269,699	3,097,456
Investments in credit institutions	6,622,764	54,997	6,677,760	2,387,651	211,647	2,599,298
Loans to Customers	13,301,907	948,320	14,250,227	11,081,510	864,554	11,946,064
Financial assets available for sale	-	-	-	-	-	-
Other assets	573	99	673	14,794	1,494	16,288
	22,226,312	2,071,669	24,297,981	17,586,915	1,505,016	19,091,931
Liabilities						
Deposits of other credit institutions	1,247,952	156,199	1,404,151	879,144	23,280	902,424
Customer deposits	21,109,389	1,181,987	22,291,377	15,096,235	1,055,430	16,151,665
Provisions	465,700	25,447	491,147	340,500	26,397	366,897
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	266,568	662,587	929,155	883,724	349,606	1,233,330
	23,089,609	2,026,221	25,115,830	17,199,603	1,454,713	18,654,316
OVERALL OPERATING POSITION	(863,296)	45,447	(817,849)	387,312	50,303	437,615

Bank						MZN' 000
	31.12.2015			31.12.2014		
	Dollars (USD)	**Other foreign currency**	**Total**	**Dollars (USD)**	**Other foreign currency**	**Total**
Written-off						
Cash and deposits at Banco de Moçambique	1,396,642	240,079	1,636,720	1,275,203	157,622	1,432,825
Available funds in other credit institutions	904,427	827,932	1,732,359	2,827,757	269,698	3,097,455
Investments in credit institutions	6,622,764	54,693	6,677,456	2,155,305	171,415	2,326,720
Loans to customers	13,301,907	948,320	14,250,227	11,081,510	864,554	11,946,064
Financial assets available for sale	-	-	-	-	-	-
Other assets	573	82	655	14,794	1,479	16,273
	22,226,312	2,071,105	24,297,418	17,354,569	1,464,768	18,819,337
Liabilities						
Deposits of other credit institutions	1,247,952	156,199	1,404,151	879,144	23,280	902,424
Customer deposits	21,433,848	1,215,153	22,649,001	15,399,886	1,096,379	16,496,265
Provisions	193,008	21,354	214,362	147,866	13,633	161,499
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	299,977	651,874	951,851	755,753	307,389	1,063,142
	23,174,784	2,044,580	25,219,364	17,182,649	1,440,681	18,623,330
OVERALL OPERATING POSITION	(948,471)	26,525	(921,946)	171,920	24,087	196,007

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			
31.12.15	**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	13,717,022	-	-	-	-
Available funds in other credit institutions	1,887,955	-	-	-	-
Deposits in credit institutions	929,137	2,066,329	3,693,110	-	-
Loans to customers	5,616,115	4,106,941	12,464,692	13,344,699	31,936,861
Financial assets available for sale	4,406,463	2,000,000	7,356,919	5,437,132	5,003,315
Total assets	**26,556,692**	**8,173,270**	**23,514,721**	**18,781,831**	**36,940,176**
Liabilities					
Deposits from other credit institutions	2,545,004	104,318	183,817	208,636	730,227
Customer Deposits	60,254,022	8,776,177	19,724,721	449,621	-
Total liabilities	**62,799,026**	**8,880,495**	**19,724,721**	**449,621**	**-**
Liquidity Gaps	**(36,242,334)**	**(707,225)**	**3,790,000**	**18,332,210**	**36,940,176**
Accumulated Liquidity Gap	**(36,242,334)**	**(36,949,559)**	**(33,159,559)**	**(14,827,349)**	**22,112,827**
31.12.14	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 3 years**	**Above 3 years**
Total assets	24,775,851	12,757,935	16,031,834	19,210,160	25,077,745
Total liabilities	53,336,131	7,590,606	17,393,165	1,073,370	-
Liquidity Gaps	(28,560,280)	5,167,329	(1,361,331)	18,136,790	25,077,745
Accumulated Liquidity Gap	(28,560,280)	(23,392,951)	(24,754,282)	(6,617,492)	18,460,253

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31.12.15	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
	Bank				
Written-off					
Cash and deposits at Banco de Moçambique	13,717,022	-	-	-	-
Available funds in other credit institutions	1,886,454	-	-	-	-
Deposits in credit institutions	926,811	2,066,329	3,684,316	-	-
Loans to customers	5,616,115	4,106,941	12,464,692	13,344,699	31,936,861
Financial assets available for sale	4,378,757	2,000,000	7,199,419	4,121,900	4,362,058
Total assets	**26,525,159**	**8,173,270**	**23,348,427**	**17,466,599**	**36,298,919**
Liabilities					
Deposits from other credit institutions	2,545,004	104,318	183,817	208,636	730,227
Customer Deposits	62,126,002	8,780,941	20,093,699	449,621	-
Subordinated liabilities	-	-	175,636	-	-
Total liabilities	**64,671,006**	**8,885,259**	**20,453,152**	**658,257**	**730,227**
Liquidity Gaps	**(38,145,847)**	**(711,989)**	**2,895,275**	**16,808,342**	**35,568,692**
Accumulated Liquidity Gap	**(38,145,847)**	**(38,857,836)**	**(35,962,561)**	**(19,154,219)**	**16,414,473**

31.12.14	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Above 3 years
Total assets	24,772,618	11,881,409	15,365,296	19,210,160	25,028,841
Total liabilities	55,319,695	7,599,706	18,644,392	592,130	534,545
Liquidity Gaps	(30,547,077)	4,281,703	(3,279,096)	18,618,030	24,494,296
Accumulated Liquidity Gap	(30,547,077)	(26,265,374)	(29,544,470)	(10,926,440)	13,567,856

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

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

Operational risk

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

42. Solvency

The own funds of Banco Internacional de Moçambique are determined according to the applicable regulatory rules, namely the provisions in Banco de Moçambique Notice number 12/GBM/2013. Total own funds arise from the sum of core capital (Tier I) and supplementary capital (Tier II) and subtraction of the component recorded under aggregate Deductions.

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

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

Core capital can also be influenced by the existence of revaluation differences in other assets, in cash flow hedge operations or in financial liabilities at fair value through profit or loss, in the proportion corresponding to the actual credit risk, by the existence of a fund for general banking risks and due to insufficiency of provisions, if the 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

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		2015	2014
CORE OWN FUNDS			
***Tier* 1 Capital**			
Paid-up share capital		**4,500,000**	4,500,000
Reserves and retained earnings		**10,826,325**	8,555,461
Intangible assets		**(149,281)**	(132,016)
Shortfall in provisions		**(2,903,627)**	(1,125,876)
	Total Tier 1 Capital	**12,273,417**	11,797,569
***Tier* 2 Capital**			
Subordinated loans		**35,000**	70,000
Other		**9,933**	10,110
	Total Tier 2 Capital	**44,933**	80,110
Deduction to total own funds		**116,447**	91,727
	Eligible own funds	**12,201,903**	11,785,952
Risk weighted assets			
In the balance sheet		**52,215,172**	54,821,291
Off balance sheet		**6,907,626**	5,716,393
Operating risk		**1,198,818**	1,160,075
Market risk		**1,164,867**	337,738
Ratio of adequacy of core own funds (*Tier 1*)		**20.0%**	19.0%
Ratio of adequacy of own funds (*Tier 2*)		**0.1%**	0.1%
	Solvency ratio	**19.8%**	19.0%

43. Risk concentration

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

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Sector	Group						2014		2013	
	Available funds in other credit institutions	Deposits in credit institutions	Loans to Customers	Financial assets available for sale	Investments in subsidiaries	Other assets	Total	%	Total	%
Public Sector	-	-	11,489,494	24,156,226	-	-	35,645,720	35.6%	28,283,224	31.7%
Financial institutions	1,887,955	6,688,577	-	6,115	-	-	8,582,647	8.6%	7,129,278	8.0%
Agriculture and forestry	-	-	2,021,822	-	-	-	2,021,822	2.0%	1,803,054	2.0%
Mining	-	-	1,231,951	-	-	-	1,231,951	1.2%	1,870,936	2.1%
Food, beverages and tobacco	-	-	1,189,624	17,966	-	-	1,207,590	1.2%	921,319	1.0%
Textiles	-	-	5,985	-	-	-	5,985	0.0%	5,024	0.0%
Paper, printing and publishing	-	-	150,333	-	-	-	150,333	0.2%	111,436	0.1%
Chemicals	-	-	1,900,274	-	-	-	1,900,274	1.9%	466,492	0.5%
Machinery and equipment	-	-	1,343,614	-	-	-	1,343,614	1.3%	1,332,604	1.5%
Electricity, water and gas	-	-	4,261,204	-	-	-	4,261,204	4.3%	3,369,556	3.8%
Construction	-	-	5,132,279	-	-	-	5,132,279	5.1%	9,251,546	10.4%
Trade	-	-	7,674,176	-	-	-	7,674,176	7.7%	8,623,234	9.7%
Restaurants and hotels	-	-	1,317,364	-	-	-	1,317,364	1.3%	1,200,411	1.3%
Transport and communications	-	-	4,010,977	-	16,998	-	4,027,975	4.0%	3,429,701	3.8%
Services	-	-	9,224,613	23,521	250,208	-	9,498,342	9.5%	7,224,160	8.1%
Consumer credit	-	-	13,411,385	-	-	-	13,411,385	13.4%	11,015,379	12.3%
Mortgage loans	-	-	934,578	-	-	-	934,578	0.9%	934,216	1.0%
Other activities	-	-	1,031,307	-	-	771,469	1,802,776	1.8%	2,227,392	2.5%
	1,887,955	6,688,577	66,330,980	24,203,828	267,206	771,469	100,150,015	100.0%	89,198,962	100.0%

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Sector	Bank						2015		2014	
	Available funds in other credit institutions	Deposits in credit institutions	Loans to Customers	Financial assets available for sale	Investments in associated companies	Other assets	Total	%	Total	%
Public Sector	-	-	11,489,494	22,038,612	-	-	33,528,106	34.3%	26,707,418	30.6%
Financial institutions	1,886,454	6,677,456	-	-	356,148	-	8,920,058	9.1%	7,480,922	8.6%
Agriculture and forestry	-	-	2,021,822	-	-	-	2,021,822	2.1%	1,803,054	2.1%
Mining	-	-	1,231,951	-	-	-	1,231,951	1.3%	1,870,936	2.1%
Food, beverages and tobacco	-	-	1,189,624	-	-	-	1,189,624	1.2%	906,428	1.0%
Textiles	-	-	5,985	-	-	-	5,985	0.0%	5,024	0.0%
Paper, printing and publishing	-	-	150,333	-	-	-	150,333	0.2%	111,436	0.1%
Chemicals	-	-	1,900,274	-	-	-	1,900,274	1.9%	466,492	0.5%
Machinery and equipment	-	-	1,343,614	-	-	-	1,343,614	1.4%	1,332,604	1.5%
Electricity, water and gas	-	-	4,261,204	-	-	-	4,261,204	4.4%	3,369,556	3.9%
Construction	-	-	5,132,279	-	-	-	5,132,279	5.3%	9,251,546	10.6%
Trade	-	-	7,674,176	-	-	-	7,674,176	7.9%	8,623,234	9.9%
Restaurants and hotels	-	-	1,317,364	-	-	-	1,317,364	1.3%	1,200,411	1.4%
Transport and communications	-	-	4,010,977	-	-	-	4,010,977	4.1%	3,412,652	3.9%
Services	-	-	9,224,613	23,521	-	-	9,248,134	9.5%	6,973,952	8.0%
Consumer credit	-	-	13,411,385	-	-	-	13,411,385	13.7%	11,015,379	12.6%
Mortgage loans	-	-	934,578	-	-	-	934,578	1.0%	934,216	1.1%
Other activities	-	-	1,031,307	-	-	388,413	1,419,720	1.5%	1,954,038	2.2%
	1,886,454	6,677,456	66,330,980	22,062,133	356,148	388,413	97,701,584	100.0%	87,419,298	100.0%

44. Recently issued policies

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

IAS 27 (Amended) - Separate financial statements

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

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

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

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

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

IAS 36 (Amended) – Asset Impairment: Recoverable Amount Disclosures for Non-Financial Assets

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

The objective of the amendments was to clarify the scope of disclosures of information on the recoverable value of assets, when this amount is based on the net fair value of the selling costs, and is restricted to impaired assets.

IAS 39 (Amended) – Financial Instruments: Novation of derivatives and continuation of hedge accounting

On 27.06.13, the IASB issued the amendments to IAS 19 with effective application date (retrospectively) for periods that start on or after 01.01.14.

The purpose of these amendments was to make accounting requirements of a hedging derivative more flexible, where there is the need to change the clearing counterparty as a result of amendments in laws or regulations. Such flexibility means that hedge accounting continues regardless of the amendment in the settlement counterparty ("novation") that, without the amendment occurred in the standard would no longer be allowed.

IFRIC 21 – Levies

On 20 May 2013, the IASB issued this interpretation with effective application date (retrospectively) for periods that start on or after 1 January 2014.

This new interpretation defines levies as a disbursement of any entity imposed by the government pursuant to legislation. It confirms that an entity should recognise a liability for the levy when, and only when, the specific event that triggers the payment of the levy, in accordance with the legislation, occurs.

This interpretation did not have any impact on the Group's financial statements.

The Group decided against the early application of the following standards and/or interpretations.

Improvements to the IFRS (2010-2012)

The annual improvements of the 2010-2012 cycle issued by the IASB on 12 December 2013, introduce amendments, with effective application date for periods that start on or after 1 July 2014 to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of "vesting condition" contained in Appendix A of IFRS 2 - Share-based payments, separating the definition of" performance condition "and" service condition "from vesting condition, making a more clear description of each condition.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of the amendment seeks to clarify certain aspects of the accounting for contingent consideration in a business combination, namely the classification of the contingent consideration, taking into account whether this contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operating segments and reconciliation between the total reportable segment's assets and the entity's assets.

The amendment clarifies the aggregation criteria and requires that an entity disclose the factors used to identify the reportable segments, when the operating segment has been aggregated. In order to achieve internal consistency, a reconciliation of the total assets of the reportable segments to the total assets of an entity should be disclosed, if such amounts were regularly provided to the operational decision-maker.

IFRS 13 – Short term receivables and payables

The IASB amended the basis of conclusion by clarifying that, in eliminating AG 79 of IAS 39, it did not intend to eliminate the need to determine the real value of short term receivable or payable account, whose invoice was issued free of interest, even if the effect is immaterial. It should be noted that paragraph 8 of IAS 8 already allows an entity not to apply accounting policies defined in the IFRS if its impact is immaterial.

IAS 16 and IAS 40 – Revaluation Method – proportionate restatement of accumulated depreciation or amortisation

In order to clarify the calculation of accumulated depreciation or amortisation, as at the revaluation date, the IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38, in that: (i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique, and (ii) the accumulated depreciation (or amortisation) is calculated by the difference between the gross amount and the net book value.

IAS 24 – Related party transactions – key management personnel services

In order to resolve some concern about the identification of costs related to key management personnel (KMP) services when these services are provided by an entity (management entity as, for example, in investment funds), the IASB clarified that the disclosures of the amounts incurred by the KMP services supplied by a separate management entity should be disclosed, although it is not necessary to present the breakdown established in paragraph 17.

Improvements to the IFRS (2011-2013)

The annual improvements of the 2011-2013 cycle issued by the IASB on 12 December 2013 introduce amendments, with effective application date for periods that start on or after 1 July 2014 to IFRS 1, IFRS 3, IFRS 13 and IAS 24.

IFRS 1 – Concept of "effective IFRS"

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

IFRS 3 – Exceptions to the scope of application for joint ventures

The amendments exclude from the application scope of IFRS 3 the formation of all types of joint arrangements, as defined in IFRS 11. This exception to the scope of application only applies to financial statements of joint ventures or to the joint ventures themselves.

IFRS 13 – Scope of paragraph 52 – exception of portfolios

Paragraph 52 of IFRS 13 includes an exception for the fair value measurement of groups of assets or liabilities on a net basis. The objective of this amendment consists in the clarification that the exception of portfolios is applicable to all contracts covered by IAS 39 or IFRS 9, regardless of whether they comply with the definitions of a financial asset or financial liability established in IAS 32.

IAS 40 – Inter-relation with IFRS 3 when classifying properties as investment properties or real estate properties for own use.

The objective of the amendment is to clarify the need for judgement to determine whether an investment property acquisition corresponds to the acquisition of an asset, a group of assets or a business combination covered by IFRS 3.

Standards, changes and interpretations issued but not effective for the Group

IFRS 9 - Financial Instruments (issued in 2009 and amended in 2010, 2013 and 2014)

IFRS 9 (2009) introduced new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduced additional requirements related to financial liabilities. IFRS 9 (2013) introduced the hedging methodology. IFRS 9 (2014) made limited amendments to the classification and measurement presented in IFRS 9 and new requirements to address financial asset impairment.

The requirements of IFRS 9 represent a significant change to the current requirements established in IAS 39, with respect to financial assets. The standard contains three categories of measurement of financial assets: amortised cost, fair value against other comprehensive income (OCI) and fair value against profit and loss. A financial asset should be measured at amortised cost if it is held in the context of a business model whose objective is to hold the asset in order to receive the contractual cash flow and the terms of its cash flow will give rise to revenue, on specified dates, related only to the nominal amount and interest in force. If the debt instrument is held within a business model that captures the contractual cash flows of the instrument and also captures sales, the measurement is at fair value with the counterpart in other comprehensive income (OCI), and the interest income continues to affect profit and loss.

For an investment in equity instruments that is not held for trading, the standard permits an irrevocable choice, at initial recognition, on an individual basis for each share, of presenting the fair value variations under OCI. No amount recognised under OCI will be reclassified to profit or loss at any future date. However, dividends generated by these investments are recognised through profit or loss instead of OCI, unless this clearly represents a partial recovery of the investment cost.

In all other cases, whether the cases in which financial assets are held under a model of the trading business, or other instruments that not only have the purpose of receiving interest and amortisation and capital are measured at fair value against profit and loss.

This situation also includes investments in equity instruments, for which the entity does not wish to present its fair value variations under OCI, thus being measured at fair value with the variations recognised through profit or loss.

The standard requires that embedded derivatives in contracts whose underlying contract is a financial asset, covered by the scope of application of the standard, should not be separated, but rather, in contrast, the hybrid financial instrument is assessed as a whole and, after checking the embedded derivatives, must be measured at fair value through profit or loss.

The standard eliminates the categories currently existing in IAS 39 of "held to maturity, "available for sale" and "accounts receivable and payable".

IFRS 9 (2010) introduces a new requirement applicable to financial liabilities optionally stated at fair value, henceforth imposing the separation of the component of fair value variation that is attributable to the entity's credit risk and its presentation under OCI, instead of through profit or loss. As an exception to this alteration, IFRS 9 in general transposes the classification and measurement guidelines, established in IAS 39, for financial liabilities, without substantial alterations.

IFRS 9 (2013) introduced new requirements for hedge accounting, which aligns it more closely with risk management. The requirements also establish a greater addressing of hedge accounting principles, resolving various weaknesses contained in the hedge model of IAS 39.

IFRS 9 (2014) establishes a new model of impairment based on "expected loss" that will replace the current model based on "losses incurred", established in IAS 39.

Thus, the loss event no longer needs to be checked before constituting impairment. This new model aims to accelerate the recognition of impairment losses through impairment applicable to debt instruments held, whose measurement is at amortised cost or at fair value under OCI.

If the credit risk of a financial asset has not increased significantly since its initial recognition, the financial asset will generate a cumulative impairment equal to the expected loss estimated to occur in the next 12 months.

If the credit risk has increased significantly, the financial asset will generate a cumulative impairment equal to the expected loss estimated to occur until its maturity, thus increasing the amount of impairment recognised.

After the loss event (the is currently known as "objective evidence of impairment"), the cumulative impairment is directly allocated to the instrument in question, with its accounting treatment being similar to that in IAS 39, including treatment of the corresponding interest.

IFRS 9 will be mandatory for periods starting on or after 1 January 2018.

IFRS 15 - Revenue from contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from contracts with Customers, of mandatory application in periods starting on or after 1 January 2017. This standard revoked IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenue - Barter transactions involving advertising services.

IFRS 15 determines a model based on 5 steps of analysis, so as to determine when the revenue should be recognised and what amount. The model specifies that the revenue should be recognised when an entity transfers goods or services to the Customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

At the very moment when the control of goods or services is transferred to the Customer; or

During the period, to the extent that it depicts the performance of the entity.

The Group is still evaluating the impacts of adopting this standard.

Improvements to the IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle issued by the IASB on 25 September 2014 introduce amendments, with effective application date for periods that start on or after 1 July 2016 to IFRS 5, IFRS 7, IAS 19, IAS 34.

The Group does not anticipate any impact on the application of this amendment on its financial statements.

IAS 27: equity method in the financial statements

On 12 August 2014, the IASB issued amendments to IAS 27, with effective application date for periods starting on or after 1 January 2016, so as to introduce an option for the measurement of subsidiaries, associates or joint ventures by the equity method in separate financial statements.

The Group has not yet taken any decision on a possible adoption of this option in its separate accounts.

KPMG Auditores e Consultores, SA
Edifício HOLLARD
Rua 1.233, Nº 72 C
Maputo, Moçambique

Telefone: +258 (21) 355 200
Telefax: +258 (21) 313 358
Caixa Postal, 2451
Email: mz-fminformation@kpmg.com
Web:www.kpmg.co.mz

Independent Auditors' Report

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

We have audited the individual and consolidated financial statements of BIM - Banco Internacional de Moçambique, S.A., which include the individual and consolidated financial position statement as at 31 December 2015, the individual and consolidated statements of comprehensive income, the statements of changes in equity and cash flow statements for the financial year ended on that date, as well as a summary of the main accounting policies and other explanatory notes, on pages 54 to 125.

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

The company's Board of Directors is responsible for the appropriate preparation and presentation of these individual and consolidated financial statements, in accordance with the International Financial Reporting Standards, as well as for maintaining a relevant internal control system for the appropriate preparation and presentation of financial statements that are free of materially relevant distortions, whether due to fraud or error.

Responsibility of the auditors

It is our responsibility to issue an opinion on these individual and consolidated financial statements based on our audit. Our audit was conducted in conformity with the International Audit Standards. Such standards require that we comply with relevant ethical standards, as well as plan and perform the audit so as to obtain reasonable assurance that the individual and consolidated financial statements are free of materially relevant distortions.

An audit includes the application of procedures that allow us to obtain audit evidence on the amounts and disclosures presented in the individual and consolidated financial statements. The selected procedures depend on our judgement, including the assessment of the risks of material distortion of the individual and consolidated financial statements, due to either fraud or error. In making these risk assessments, we consider the relevant internal controls for the appropriate preparation and presentation of the individual and consolidated financial statements by the entity, in order to permit the design of audit procedures that are suitable, under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control systems. An audit also includes the assessment of the adequacy of the accounting principles adopted and the reasonableness of the accounting estimates made by the Board of Directors, as well as an assessment of the overall presentation of the individual and consolidated financial statements.

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

Opinion

In our opinion, the individual and consolidated financial statements present, in a true and appropriate form, in all materially relevant aspects, the financial position of BIM - Banco Internacional de Moçambique, S.A., as at 31 December 2015, its financial performance and cash flow for the financial year ended on that date, in conformity with the International Financial Reporting Standards.

KPMG

Maputo

19 February 2016

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The directors are responsible for the appropriate preparation and presentation of the annual financial statements of BIM – Banco Internacional de Moçambique, S.A, comprising the financial position statement, as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year ended on that date, as well as the notes to the financial statements, which include a summary of the main accounting policies and other explanatory notes, in accordance with the International Financial Reporting Standards.

The directors are also responsible for the relevant internal control system for the appropriate preparation and presentation of these financial statements that are free of material distortions, whether due to fraud or error, and for maintaining appropriate accounting records and an effective risk management system.

The Directors assessed the ability of the Bank to continue operating with due observance of the going concern principle, having found no reason not to believe that the Bank will continue to operate in accordance with this principle in the near future.

The auditor is responsible for reporting on whether the financial statements are appropriately presented in conformity with the International Financial Reporting Standards.

Approval of the annual financial statements

The annual financial statements of BIM – Banco Internacional de Moçambique, S.A, as mentioned in the first paragraph, were approved by the Board of Directors on 19 February 2016 and are signed on its behalf by:

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

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

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

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

[Illegible Signature]
Ricardo David
(Director)

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

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

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

[Illegible Signature]
Moisés Jorge
(Director)

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

[Illegible Signature]
Jorge Manuel de Aguiar Pena
(Director)

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

[Illegible Signature]
Jacinto Zacarias Uqueio
(Director)

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2015

OPINION OF THE BOARD OF AUDITORS

Pursuant to the legal and statutory provisions, the Board of Auditors submits to the Shareholders the report on the supervisory action undertaken at BIM - Banco Internacional de Moçambique, S.A., as well as its opinion on the Consolidated Financial Statements of the Millennium bim Group, the Financial Statements on an individual basis of the Bank and the Report of the Board of Directors relative to the financial year ended on 31 December 2015.

The Board of Auditors supervised, on a monthly basis, the development of the activity of the Bank, through accounting information and meetings held every month with the Accounting Department of the Bank, having obtained the appropriate clarifications and complementary information whenever requested.

The Board of Auditors, based on the accounting information made available and the data collected from the management information systems of the Bank, analyzed the operations of the Bank and assessed the respective records and compliance with the standards issued by the supervisory authorities, as well as the general policies, standards and established practices.

Within the scope of our duties, we participated in the meetings of the Board of Directors and held meetings with some specific areas, namely the Audit and Compliance Office, Credit and Risk Office, Credit Recovery and Corporate Centre, as well as with the External Auditor, with the frequency and to the extent deemed sufficient.

Regarding the Internal Audit activity, we observed that the latter has been conducted within the planned framework and noted that the audits undertaken by the Internal Audit of BCP, as the Parent Company, have been followed-up, having paid special attention to the anomalies identified and the implementation of the respective recommendations, as well as to the fulfillment of the deadlines defined for their correction.

Within the scope of the Compliance Office, emphasis was given to the following up of the activities related to the Money Laundering Risk Assessment and the monitoring of atypical transactions.

We are pleased to note that the Risk Management System of Millennium bim continued to be reinforced and consolidated over the course of 2015, both regarding the mechanisms of control and monitoring of the multiple risks affecting its activity, with emphasis on the control exercised at the level of concentration risk by the Risk Control Committee of the Bank and the Audit Committee, and with respect to their assessment, at various levels.

In the meetings held with the External Auditor we focused on the analysis of the issues which, due to their materiality and/or relevance, we considered more critical or significant based on the main conclusions of the work relative to the limited review of the accounts reported on 30 June 2015 and the audit of the consolidated financial statements for the financial year ended on 31 December 2015.

We noted a positive evolution in terms of compliance with the recommendations of Banco de Moçambique, within the framework of prudential supervision, as well as of the materialization of the risk management guidelines, set out in Notice number 4/GBM/2013.

We focused on the analysis of overdue credit, with emphasis on the situations that are materially relevant and have an impact on the operating account of the customers allocated to the Credit Recovery Area or, not being allocated, regarding which it is tasked with their monitoring.

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2015

OPINION OF THE BOARD OF AUDITORS

Upon request, we provided our opinion on credit granted to a related entity, as well as credit granted to companies or other entities, directly or indirectly controlled by the related entity, or with which they are in a group relationship, in accordance with the law in force.

The Board of Auditors also appraised the Report of the Independent Auditors, with which it is in agreement, for the purposes of number 2 of Article 42 of the Bank's Articles of Association.

Based on the monitoring of the activity of the Bank, as well as the analysis of its financial statements, the Board of Auditors did not record any aspects that were materially relevant or abnormal or any exceptional situations that could jeopardize the reassuring situation of solidity of the Bank.

The main transactions that explain the most significant variations in the key indicators of the Bank's activity (on an individual basis) were analyzed.

It should be noted that the indicators in question were considerably affected by the effect of the exchange rate variation resulting from the strong depreciation of the metical during 2015.

The Board of Auditors also apprised the Financial Statements audited by the External Auditor, including its favorable Opinion, which indicate:

- That the Consolidated Balance Sheet and the Balance Sheet of the Bank, BIM - Banco Internacional de Moçambique, S.A., as at 31 December 2015, appropriately reflect the financial situation of the Group and of the Bank;

- That the Consolidated Income Statement and the Income Statement of the Bank indicate a consolidated profit of 3,684.9 million meticais and a profit of the Bank of 3,391.5 million meticais, which reflect the results of the activity of the Group and of the Bank;

- That the Consolidated Comprehensive Income Statement and the Comprehensive Income Statement of the Bank present a comprehensive income of the Group of 3,644.2 million meticais and a comprehensive income of the Bank of 3,431.5 million meticais, respectively;

- That the Consolidated Cash Flow Statement and the Cash Flow Statement of the Bank present a decrease during the year in Cash and cash equivalents of 286.1 million meticais for the Group and 285.9 million meticais for the Bank; and

- That the Consolidated Statement of Changes in Equity and the Statement of Changes in Equity of the Bank show Equity as at 31 December 2015 of 20,471.3 million meticais for the Group and of 18,760.3 million meticais for the Bank.

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

ANNUAL REPORT 2015

OPINION OF THE BOARD OF AUDITORS

Upon request, we provided our opinion on credit granted to a related entity, as well as credit granted to companies or other entities, directly or indirectly controlled by the related entity, or with which they are in a group relationship, in accordance with the law in force.

As a result of the verification carried out and information obtained, the Board of Auditors:

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

  i). are in conformity with the Law and comply with the statutory provisions, as well as the rules issued by the Central Bank;

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

  iii). reflect, in a true manner, the financial situation of the Group and of the Bank as at 31 December 2015, as well as the result of the operations carried out by the Group and the Bank during the financial year.

- It is our opinion that the General Meeting should:

  i). Approve the Accounts relative to 2015

  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 2015;

  iii). Express its vote of support for the performance of the Board of Directors and of all the other employees.

Maputo, 19 February 2016

THE BOARD OF AUDITORS

[Illegible Signature]
Teotonio Jaime dos Santos Comiche - Chairman

[Illegible Signature]
Daniel Filipe Gabriel Tembe - Member

[Illegible Signature]
Eulália Mário Madime - Member

[Illegible Signature]
Maria Iolanda Wane - Alternate Member

BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

APPROPRIATION OF PROFITS

OPINION OF THE BOARD OF AUDITORS

The Board of Auditors analyzed the proposal of the Board of Directors relative to the distribution of Net Income, of the value of 3,391,486,280.57 meticais.

The Bank's eligible equity, of the value of 12,202 million meticais, and solvency ratio of 19.8% enable it to meet the natural expectation of the shareholders of being remunerated for the capital invested in BIM. The proposal is, therefore, deemed appropriate.

As a result of our analysis, the Board of Auditors is of the opinion that the General Meeting should approve the proposed Distribution of Net Income, of the value of 3,391,486,280.57 meticais, as follows:

- To the Legal Reserve 15.00% 508,722,942.09 meticais
- To the Free Reserve 47.50% 1,610,955,983.27 meticais
- To the Dividend Stabilization Reserve 2.50% 84,787,157.01 meticais
- Distribution to the Shareholders 35.00% 1,187,020,198.20 meticais

Maputo, 19 February 2016

THE BOARD OF AUDITORS

[Illegible Signature]
Teotonio dos Santos Comiche – Chairman

[Illegible Signature]
Daniel Filipe Gabriel Tembe – Member

[Illegible Signature]
Eulália Mário Madime – Member

[Illegible Signature]
Maria Iolanda Wane – Alternate Member