2010
Annual Report

Millennium bim

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

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Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN

The Board of Directors is pleased to present to Shareholders, Customers and all Stakeholders its Annual Report for last year. It is the product of a particularly special year, one that made us proud of all our achievements, progress and maturity over the last 15 years.

In 2010 we celebrated the Bank's 15th anniversary, 15 successful years of commitment to innovation and modernity in financial banking systems and satisfying our Customers.

Offering a wide range of products and services for all market segments, the Bank's 15 years have been unquestionably marked by a comprehensive vision of **"We want to be the Best Mozambican Bank"**.

We knew how to belong to Mozambique and Mozambicans, we knew how to belong to all those who see themselves reflected in this Bank; to cover the entire country from the Rovuma to the Maputo, in towns, in districts, in rural areas, and we knew how to belong to everyone and to work for everyone, reducing asymmetries and placing Mozambique side by side with the world.

But this history was not made only by us, the Millennium bim managers, it was made by everyone! By over 1,600 Shareholders, by some 860 thousand Customers, by some 2,000 Employees, by the families of our Employees, who were tireless in their support for each long working day, by the Mozambican Authorities and by all the other Stakeholders.

The Bank that each of us has helped to build is the one that contributes most to the development of the country and that is helping the State to build a country of the future, where everyone's dream becomes a reality. It is the Bank that generates the most jobs, that through its taxes makes a substantial contribution to the exchequer, and that gives the most back to the State, making an important contribution to the construction of schools, hospitals and roads and bringing the future today.

We knew how to be visionaries and achieve that which we wanted most, a better future for all Mozambicans, we saw that business involves social responsibility and sustainability, designing products and services that meet the needs of our Customers and that make a difference in the community of which we are part. We were the first Bank to have its own socially responsible program – *"Mais Moçambique pra Mim"* that accounts for all its actions and social support through its annual Sustainability Report.

Millennium bim's 15 year path has been distinguished and relevant, relaunching the role of banking in the Mozambican economy; maintaining high levels of satisfaction, promoting loyalty and engagement with our Customers; expanding the Customer base and their assets that it manages in traditional business areas; promoting new initiatives in areas with stronger growth potential; being at the forefront in exploiting the new business opportunities created by new technologies; consolidating sector and regional technological leadership; with constant improvements in returns and financial solidity; motivating and rewarding Employees and maximizing value for its Shareholders. The future will be marked by even more challenges, the only certainty being that we shall always be present to do more and to do better.

The year 2010 was not only important to Millennium bim because of its 15th anniversary. In 2010 Millennium bim maintained its good performance, consolidating improvements in all financial and management indicators, while at the same time investing heavily in expanding the network and improving services based on an audacious plan that looks to the future, with confidence in what is to come. Today we are the Bank with the largest branch network (urban, peri-urban and rural) in the country, with the largest ATM and POS network, some 320 and 2,660 units respectively.

Through its capacity for innovation and for diversifying its supply of products and services, Millennium bim has maintained its leadership in the market, without ever abdicating its principles of good management. Once again Millennium bim continued to be the most solid financial institution in the market, as shown by its robust equity structure and its excellent solvency ratio. In addition, the Bank's strategy has produced growing net income, with judicious management, good Corporate Governance practices and adherence to International Financial Reporting Standards.

Millennium bim has continued to focus on innovation, inspired by its Customers' structured financial needs that it addresses in a segmented way, seeking to correspond to their expectations and requirements. Millennium bim has increased and improved its supply of products and services in order to meet the needs of its Customers while at the same time strengthening the Bank's returns.

In 2010 there was a special emphasis on training, with the strategic focus of improving the quality of the Bank's services at all levels.

The market once again recognized and rewarded Millennium bim's value proposition by subscribing to and having confidence in its products and services as proven by the rise in the number of Customers, now over 860,000, a rise of 22% compared to 2009.

Millennium bim's performance and its position of responsibility towards society has been recognized by various economic and social entities who have once again awarded the Bank national and international prizes: the prize for the Best Corporate Social Responsibility Program by the publication Emeafinance; the Best Bank Brand in Mozambique, a study promoted by the multinational GFK; the best Bank in Mozambique, awarded by the magazine Global Finance, and the Best Bank in Mozambique awarded by the publication Emeafinance as part of its African Banking Achievement Awards 2010. IC Publications also named millennium bim one of the 5 Best National Banks in Africa.

Overall, the main strategic lines traced for 2010 have been achieved: improving efficiency ratios and service quality, innovation, expanding the business base and maximizing the Banks returns.

Consequently, and with a sense of mission accomplished, before closing, on my own behalf and on behalf of the Board of Directors I would like to express to all our Customers, our Shareholders, the Authorities and our Employees our appreciation for their support, trust, and acceptance of our proposals as this has made a substantial contribution to the results we are celebrating.

Mário Fernandes da Graça Machungo
Chairman of the Board of Directors

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

SUMMARY OF INDICATORS (INDIVIDUAL BASIS)

Thousand meticais

	'10	'09	VAR. %
Balance sheet			
Total assets	54,325,974	48,274,966	12.5%
Loans and advances to Customers (net)	34,982,478	27,539,980	27.0%
Financial assets available for sale	4,547,173	9,339,183	-51.3%
Deposits from Customers	43,544,994	39,096,265	11.4%
Debt securities issued	1,089,137	66,975	1,526.2%
Shareholders' equity and subordinated debt	8,106,522	6,622,978	22.4%
Profitability			
Net operating revenue	6,559,985	5,048,631	29.9%
Operating expenses	2,933,955	2,326,963	26.1%
Loan impairment (net of recoveries)	736,337	412,521	78.5%
Other provisions	225,107	40,827	451.4%
Tax on profits	416,776	349,458	19.3%
Net income for the year	2,247,810	1,918,862	17.1%
Returns on average total assets (ROA)	4.4%	4.8%	-0.4 p.p.
Returns on average Shareholders' equity (ROE)	32.1%	36.3%	-4.2 p.p.
Efficiency ratio	44.7%	46.1%	-1.4 p.p.
Solvency (Banco de Moçambique ratio) (*)	15.1%	14.7%	+0.4 p.p.
Credit quality			
Loans and advances to Customers (gross)	36,964,363	28,762,712	28.5%
Overdue loans for over 90 days/Total loans	0.9%	0.9%	-0.0 p.p.
Overdue loans/Total loans	1.1%	1.0%	+0.1 p.p.
Loan impairment/Total overdue loans	481.0%	419.9%	+61.1 p.p.
Number of branches	126	117	7.7%
Number of Customers (thousand)	863,6	706,4	22.2%
Number of Employees	1,950	1,805	8.0%

(*) Excluding income for the year in question.

SUMMARY OF THE REPORT OF THE BOARD OF DIRECTORS

Over the last three years monetary and credit markets have been marked by a comprehensive, worldwide economic and financial crisis. In 2010 [(1)], however, there was evidence that economic activity in the most developed economies is picking up compared to levels at the end of the previous year. Reports in the third quarter of 2010 showed that GDP grew 3.1%, 1.9% and 4.5% in the USA, the Euro zone and Japan respectively. Given the macro economic scenario in the respective countries, central banks decided to maintain their respective interest rates in order to stimulate aggregate demand in the private investment and consumption components, and halt the deterioration in employment indicators.

The IMF [(2)] estimates that Mozambique' economic growth in 2010 was 7.2%, above the average for African countries (5.0%). This growth is the result of policies to mitigate the effects of the global crisis including, among others, increased public expenditure, injecting foreign exchange into the system to ensure exchange rate stability, development of the PAPA [(3)] plan and also the dynamics of the private sector, specifically the mega projects.

In 2010 Millennium bim continued its strategic focus on the profitability of the business and expansion of its branch network. Ten new branches were opened and another three were rehabilitated leading to improved service quality and assistance. The commercial network rose to 126 branches (50 new branches since the expansion programme began) and improvements in all financial and management indicators were consolidated. The Bank stands out not only because it has the largest branch network in the country (urban, peri-urban and rural) with the largest network of ATM and POS, 322 and 2,662 respectively, but also because it is the biggest employer, the biggest financial sector contributor to the State and because it has its own Social Responsibility programme that reflects the institution's organizational culture.

The leadership position maintained by Millennium bim was made possible by its capacity for innovation and its ability to diversify its supply of products and services, reflecting its constant search for solutions that meet Customers' needs. Management quality was reflected in a rise in net income, the fact that it is the most solid financial institution in the market with a robust equity structure and its excellent solvency ratio. Despite the world crisis, the Bank's strategy of attracting Customer resources and careful management with a particular focus on good Corporate Governance practices and total respect for International Financial Reporting Standards, were some of the factors that enabled the Bank to maintain financial stability.

The training activity that began in 2009 continued in 2010 with a strategic focus on improving service quality at all levels of the Bank. The market once again recognized and rewarded Millennium bim's proposition by adhering to and having confidence in its products and services, as demonstrated by the rise in the number of Customers to over 863 thousand, 22% more than in 2009. National and international recognition of Millennium bim and its financial results by various economic and social entities, make the Bank the financial institution that received the most distinctions and prizes in 2010, namely:

- **Corporate Social Responsibility** a prize awarded by the publication Emeafinance as part of its African Banking Achievement Awards;
- **Best Bank Brand in Mozambique,** the prize in a study promoted by the multinational GFK;
- **Best Bank in Mozambique**, a prize awarded by the magazine Global Finance;
- **Best Bank in Mozambique**, awarded by the publication Emeafinance as part of its African Banking Achievement Awards 2010, and
- **Distinction "One of the 5 Best National Banks in Africa"**, by IC Publications.

(1) USA Bureau of Economic Analysis, Eurostat.
(2) IMF: International Monetary Fund.
(3) PAPA: Food Production Action Plan (Plano de Acção para a Produção de Alimentos).

Despite a background of uncertainty, maintaining a highly rigorous position in the selection and management of risk, stimulating business and judicious management of financial resources were determining factors for positive growth in asset indicators and financial solidity. The solvency ratio (excluding income for the year under analysis) was 15.1%.

The total assets of Millennium bim reached 54,326 million meticais, a rise of 12.5% compared to the previous year and reflecting a 27% rise in loans and advances to Customers. Total Customer resources rose 14% to 44,634 million meticais due to renewed efforts to attract the resources of commercial networks and careful pricing management, associated with an innovative and diversified supply of products and services. In addition to the growth in resources, the Bank also took initiatives that stabilized its liabilities portfolio through products with longer maturity periods, including the issue of 1,000 million five-year bonds worth 1,000 million meticais.

Net income was 2,248 million meticais, a 17% rise over the previous year; returns on equity (ROE) were 32.1% and returns on assets (ROA) 4.4%.

Ever since it was established Millennium bim has understood that its social function is a fundamental component of its mission, and this has been translated into valuing its Employees and exercising its social responsibility to the community in which it operates and of which it is part. Consequently, in addition to complying with internal codes of conduct, Millennium bim is committed to complying with and disseminating the principles of the United Nations Global Covenant (since 2003) and FEMA (Enterprise Forum for the Environment). It thus adopts the best international practices and directives on good governance, and corporate and environmental social responsibility.

This means that its decisions are always based on the principle of respect for human rights, investment in personal enhancement, protecting the environment, fighting corruption, complying with social norms and respect for the values and ethical principles of the society in which it works. The Bank's objective is to promote the role of Millennium bim in the social action field through its Social Responsibility programme "Mais Moçambique pra Mim" focusing on what is really important and where it can make a difference. The Bank has thus carried out a variety of activities that reaffirm the sustainability of the project and the Bank's determination to reduce social inequalities in the country, giving priority to education, culture, sport and the association of solidarity movements.

The subsidiary Seguradora Internacional de Moçambique has maintained its leadership position in the insurance market, with a 30% growth in processed revenue. Its net income was 252,208 thousand meticais, 24.7% higher than the previous year.

The main strategic lines for Millennium bim and the Seguradora next year will continue to be the constant search for better quality service and continued innovation, expanding the business space and trying to provide a service of excellence while not ignoring the strategy of attracting resources. We shall also continue the branch expansion programme, and will maintain a rigorous position on issues of compliance and risk management in order to maintain the Bank's profitability and financial strength.

SHAREHOLDER STRUCTURE

Meticais

Shareholders	Nr. shares	% capital	Paid up capital
Millennium BCP Participações, SGPS, Soc. Unipessoal Lda.	10,002,820	66.69%	1,000,282,000
Mozambican State	2,568,249	17.12%	256,824,900
INSS – Instituto Nacional de Segurança Social	742,603	4.95%	74,260,300
EMOSE – Empresa Moçambicana de Seguros, S.A.R.L	622,103	4.15%	62,210,300
FDC – Fundação para o Desenvolvimento da Comunidade	162,620	1.08%	16,262,000
Other (*)	901,605	6.01%	90,160,500
Total	15,000,000	100.00%	1,500,000,000

(*) Other – 1,598 investors with individual holdings of less than 1% acquired as part of the sale of State shares to Managers, Technicians and Workers (MTW).

CORPORATE BOARDS

GENERAL SHAREHOLDERS' MEETING

CHAIRMAN:	Fernando Everard do Rosário Vaz
VICE-CHAIRMAN	Venâncio Mondlane

AUDIT BOARD

CHAIRMAN:	António de Almeida
MEMBER:	Subhaschandra Manishanker Bhatt
MEMBER:	Armando Pedro Muiuane Júnior
SUBSTITUTE MEMBER:	Maria Iolanda Wane

BOARD OF DIRECTORS

CHAIRMAN:	Mário Fernandes da Graça Machungo
VICE-CHAIRMAN:	José João Guilherme
DIRECTOR:	António Manuel Duarte Gomes Ferreira
DIRECTOR:	Teotónio Jaime dos Anjos Comiche
DIRECTOR:	Paulo Fernando Cartaxo Tomás
DIRECTOR:	Ricardo David
DIRECTOR:	Rogério Gomes Simões Ferreira (4)
DIRECTOR:	João Manuel R. T. da Cunha Martins (5)
DIRECTOR:	Júlio Eduardo Zamith Carrilho
DIRECTOR:	Miguel Maya Dias Pinheiro
DIRECTOR:	Salomão Munguambe

(4) Appointed on the 25th of march 2010.
(5) Co-opted on the 26th of october 2010.

MACROECONOMIC AND FINANCIAL OVERVIEW

WORLD ECONOMY

With the possibility of a double-dip recession, 2010 was full of skepticism about the global economy's capacity for sustained recovery, for a number of reasons: (a) fear of a fall in aggregate demand in the country's most affected by the global financial crisis, based on falling consumption due to high unemployment; (b) the announcement of the withdrawal or at least the reduction of fiscal stimulus packagers throughout 2010; and (c) the possibility of more moderate growth in the emerging economies led by China.

Despite this uncertain environment the global economy saw recovery with average growth of 4.8% driven on the one hand by monetary stimulus packages and on the other hand by the emerging powers led by China (10.5%). As regards economic policy, the global economy was characterized by the continuation of plans to inject liquidity especially in the USA, Euro Zone and Japan and maintaining interest rates close to zero – Fed (0.25%), ECB (1%), BoJ (0%).

In addition, measures of a monetarist nature were accompanied by the introduction of and improvements to instruments associated with financial sector regulation in order to raise market confidence. These included in particular (i) the creation of a regulatory council focusing on systemic risk in financial markets and the extension of its powers to include the imposition of macro-prudential limits on financial institutions, and (ii) the creation of a consumer protection agency. There were a number of significant measures in this field: limits on transactions involving financial derivatives, ownership of hedge funds and risk capital, changes in short-selling rules, heavier taxation of profits, restrictions on managers' bonuses and the systematic implementation of stress tests on banks.

In 2010 the effects of the crisis confirmed the dichotomy between the West, with slower and uncertain growth as well as fiscal austerity programmes, especially on the periphery of Europe, and stronger growth in the emerging economies that was considered somewhat doubtful given the negative effects of their correlation with the economy of the USA and other developed countries. The crisis in western countries associated with the fragility of the banking and finance sector and public accounts deficits, was evident and even jeopardized the stability of the euro. In the emerging countries, however, there were potential risks caused by excessive capital flows and domestic inflation, a situation that produced challenges for economic policy, including reforms intended to expand the absorptive capacity of domestic markets.

This new economic order involved debate on the coordination of monetary policies. USA Government pressure for the appreciation of the Chinese currency against the dollar, in order to relieve the USA financial deficit, caused much discussion by emphasizing the dilemma of currency appreciation versus the need to maintain the Chinese export channel for economic growth. Difficulty in finding a balance made some interest groups in the USA revive protectionist measures.

The specific characteristics of domestic economies produced a variety of measures, with monetary policy accommodation in the USA and the Euro Zone, while the dominant measures in China and Brazil were monetary tightening to contain inflation, including prudential measures for banks and control over capital flows. The inter-dependence between countries has shown that relief measures in the most developed countries, such as fixing lower reference interest rates, have repercussions for capital flows to emerging countries, affecting the exchange rate, inflation and producing the risk of a bubble due to the accelerated rise in the price of assets. These consequences have resulted in counter cyclical measures to mitigate potential risks.

It is estimated that in 2011 the global economy grew 4.2%, confirming the recovery trend. However, in contrast to recovery there are signs of falling confidence in some Euro Zone countries while in the USA the gradualist approach to resolving problems in the financial sector, unemployment and uncertainty about restoring family balance sheets, raise questions about the solidity of the estimated economic growth. According to IMF projections, global growth in 2011 will be driven by the emerging economies that could see average growth of 6.4%, in particular China (9.6%), India (8.4%) and Brazil (4.1%).

UNITED STATES OF AMERICA

GDP grew by 2.5% (6)(year on year) in the third quarter of 2010 (1.7% in the previous quarter) reflecting growth in domestic consumption and private investment. Nevertheless, the evolution of the economy shows signs of fragility due to high unemployment levels (7). In addition, in the third quarter the USA saw its trade balance fall by 172 thousand million dollars, while China had a surplus. This is the main reason for the USA's concern about the need to revalue the yuan (CNY) or take protectionist measures.

EUROPE

Growth varies in the Euro Zone. France and Germany moved out of their recession earlier whereas Italy, Spain, Ireland and Greece have serious fiscal problems and face the possibility of delayed recovery due to the market-imposed need to adopt austerity measures. There is also the unemployment situation (Spain 19.2%) and the contraction of credit and private investment. Nevertheless, it is estimated that the Euro Zone as a whole could see growth in the order of 1.0% in 2010 and 1.5% in 2011. Despite this moderate optimism, risk factors associated with the following must be taken into account:

1. Fiscal tightening measures that dampen aggregate demand by reducing investment and public consumption, and also by the fall in available income due to the larger fiscal burden;
2. The inflationary pressure that accompanies the recovery of the global economy could involve a rise in reference rates, reversing the monetary policy path of accommodation and support for the financial system.

The need to adopt measures such as those described above could affect consistency in the recovery of European economies.

CHINA

It is estimated that the Chinese economy grew 10% in 2010, driven by growth in gross fixed capital formation (12%) and private consumption (12%). Its evolution is due in part to fiscal and monetary stimulus packages. The economy showed signs of heating up, with inflation rising to 5.1% (8), much of it influenced by rising food prices and this is one of the main threats.

In 2010 China became the top world exporter in terms of transacted volumes. The current account had a positive balance of 102.3 billion dollars (up to the third quarter), corresponding to 7.2% of GDP. The growth trend through the external channel continued in the last quarter and preliminary data indicate that in november, the trade balance had a surplus of 22.9 thousand million dollars. Export performance, associated with some fiscal measures intended to promote it, has caused controversy around the exchange rate for the yuan (9). According to some international investment banks, the yuan is undervalued by some 10 to 20%. The appreciation of the Chinese currency would certainly help reduce regional imbalances and contribute to convergence of the external balance in deficit countries.

(6) Bureau of Economic Analysis, US Department of Commerce.
(7) 9.8% in november 2010 corresponding to 15 million unemployed.
(8) November 2010 (4.4% in october).
(9) Chinese yuan.

AFRICA

Uncertainty about the recovery of the global economy produced fears that the negative impact of the 2009 crisis would be repeated, especially through the export channel, direct foreign investment and external assistance. However, the USA recovery and growth in the Euro Zone and China boosted exports of energy goods and other commodities, producing a 5% rise for Sub-Saharan Africa countries as a whole.

Most countries applied counter cyclical policies in 2009, especially through fiscal stimulus supported by the IMF (10 thousand million dollars). In 2010 the deterioration of public accounts following these measures required fiscal adjustments and the deterioration of sovereign credit ratings. Nevertheless, the reversal of falling exports has meant rising fiscal revenue, softening the effects brought about by correcting the reduction in expenditure.

As of the third quarter 2010, the recovery of the global economy produced signs of increased demand for commodities, led by growth in the BRICs (Brazil, Russia, India and China), producing higher exports by African countries, the recovery of the oil price, and renewed appetite for investment in sectors with potential. Of particular note in this context are: (a) Chinese investment flows in Africa, focused primarily on the extraction of mineral resources, raw materials and food production; (b) the transition of Ghana and Uganda to the status of "oil exporters".

Other countries on the African continent saw economic growth of more than 6%, as in the cases of the Democratic Republic of Congo (10.6%), Ethiopia (8.0%) and Tanzania (6.5%). In other countries there were signs of political risk, namely, in Sudan, Madagascar and Ivory Coast.

SOUTH AFRICA

Economic growth in 2010 was 2.8% (-1.8% in 2009), dispelling skepticism about the direction of South Africa's economic growth. Growth was driven on the one hand by factors related to domestic demand i.e. private consumption (2.6%) and public consumption (5.0%), and on the other hand by export growth (3.3%), driven by growth [10] in mining, (4.1%), agriculture (1.3%) and industry (8.7%).

The World Cup was one factor that boosted growth through tourism and retail trade revenue. In contrast, due to the effect of the statistical base, gross fixed capital formation was negative (-0.6%) due to a fall in the construction of infrastructure that had grown due to the World Cup. In addition, other factors that slowed growth were: (i) the strike in the transport sector; and (ii) the fall in productivity due to the football World Cup. As of the second semester 2010, there was probably a loss of confidence in domestic demand as shown by falling stocks in commerce and industry that accounted for 12.3% of GDP (15.0% in 2009).

As regards inflation, the adjustment of electricity tariffs, the rise in the oil price and public sector wage negotiations produced a rise in prices, albeit dampened by the appreciation of the rand (ZAR) and good harvests in the agriculture sector. It is estimated that the inflation rate was around 3.4% in 2010, with an average decreasing trend compared to the first quarter of 2010 (5.8% in march). As regards monetary policy, the SARB – South African Reserve Bank – lowered the reference rate from 6% to 5.5% in november.

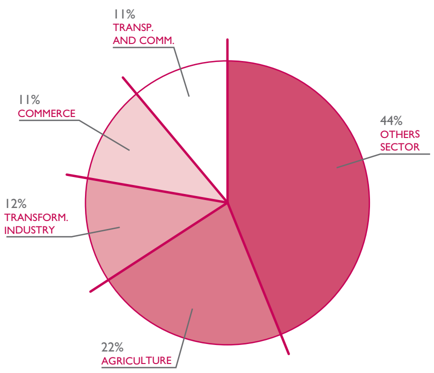
In the fiscal year ending in march, the public accounts balance recorded a deficit of some 6.8% of GDP [11]. However, forecasts of economic growth produced a revised estimate of 4.6% for the fiscal year 2011/12 based on the growth of the South African economy accompanied by a rise in private consumption and thus higher fiscal revenue [12]. As regards external balances, the trade balance recorded a surplus of 32.4 thousand million rands in the third quarter of 2010 (13.2 million rands in the second quarter 2010). Due to the negative effect of the invisibles account there was a current account balance of 2.0% of GDP in the third quarter 2010 following a fall in tourism revenue when the World Cup ended.

(10) Annual rates reported in april. Another important indicator is the rise in the sale of vehicles in april, with an annual figure of 37.1%.
(11) Optimistic compared to official forecasts: 7.8% of GDP.
(12) The Medium Term Budget Policy Statement (MTBPS) presented in october 2010 raised the possibility of a rise in tax rates if the current structure does not result in the desired revenue level.

Finance for the current deficit comes from capital flows into South Africa in search of gains from the interest rate differential, and amounted to 27.6 thousand million rands in the third quarter. The appetite for investment in banking, retail and mining continued in 2010, in particular the acquisition of Massmart by Wal Mart. In november reserves amounted to 43.1 thousand million dollars.

MOZAMBIQUE

SECTOR CONTRIBUTIONS TO GDP
(III quarter 2010)



Source: INE.

OUTPUT AND PRICES

The IMF estimates that Mozambique's economic growth in 2010 was 7.2%, above the average for African countries (5.0%). Growth resulted from the implementation of policies to mitigate the effects of the global crisis, including a rise in public expenditure, injecting foreign exchange into the system to ensure exchange rate stability, development of the PAPA and also dynamism in the private sector, namely, the mega projects.

In 2010, following signs of recovery in the global economy, there was substantial recovery in the export sector, including DFI [13] in the primary mining sector, and increased investment driven by public administration, the financial sector and construction. INE [14] data indicate that the financial sector grew 15.8%, public administration by 13.8%, construction by 11.9% agriculture by 8.8% and the extractive industry by 7.4%. As regards the structure of GDP [15], agriculture continues to contribute most (22%), followed by the transforming industry (12%), transport and communications (11%), commerce and repair services (11%), rented property and services (6%) and other unspecified sectors (38%).

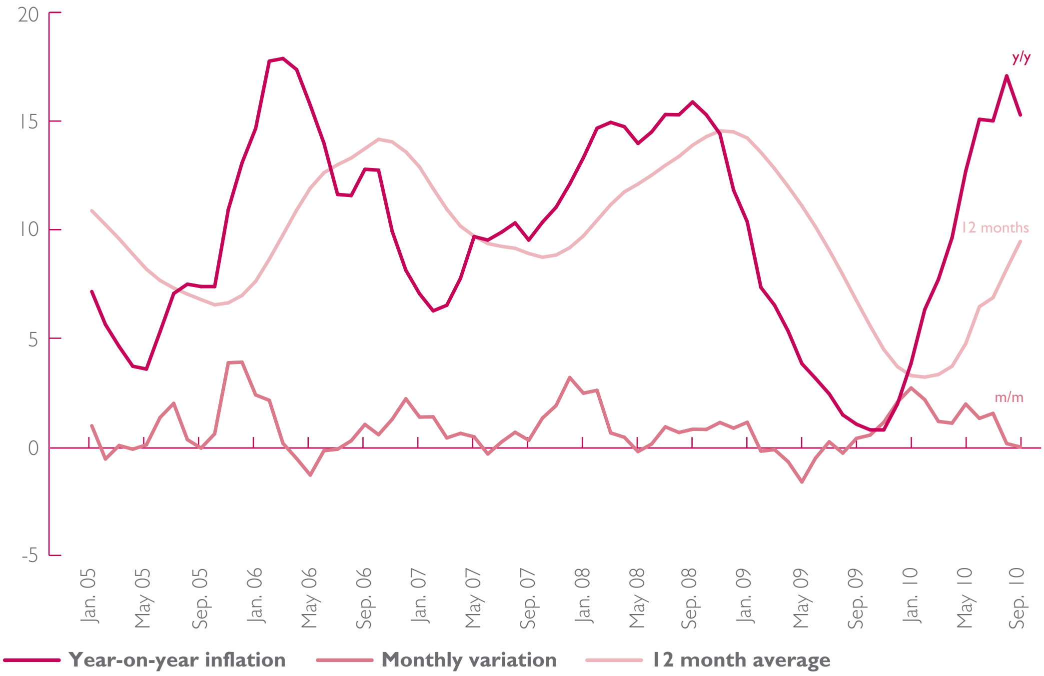
Despite good performance throughout the year, the economy slowed down in the second semester following measures to prevent it from "overheating", with rising inflation, a public deficit and an external account deficit. Measures included in particular containing public expenditure and during the year there was a threefold rise in the Bank of Mozambique's PCF [16] and its mandatory reserve rate. This meant a rise in the Permanent Credit Facility from 11.5% to 15.5% and a rise in the mandatory reserve rate to 8.75% at the end of the year.

In december the homologous inflation rate was 17.44%, reflecting the rise in commodity prices with the recovery of the global economy. In january 2010 the price of a barrel of crude was 75 dollars and it was approaching 90 dollars at the end of the year. The impact of this variation in Mozambique was aggravated by other factors, namely (a) the reduction of State fuel subsidies resulting in price rises for the consumer, (b) devaluation of the metical against the main currencies (USD, ZAR and EUR) and (c) the expectations of economic agents about the flow of unilateral transfers during the first quarter. In addition, the rise in aggregate demand at a pace higher than supply including pressure for increased wages and rising food prices, in particular the higher price of wheat in international markets, contributed to increased inflationary pressure.

Nevertheless, expectations about continued rising prices were eased when fuel and wheat subsidies were maintained, the flow of donor transfers returned to normal and above all, when the metical appreciated and ended the year with an exchange rate of 31.5 against the USD, after having been over 37.0 in august. It is thus to be expected that inflation will resume its downward trend in 2011.

(13) DFI: Direct Foreign Investment.
(14) INE: Instituto Nacional de Estatistica.
(15) GDP: Gross Domestic Product.
(16) PCF: Permanent Credit Facility.

EVOLUTION OF INFLATION



Source: INE.

Macroeconomics indicators	'04	'05	'06	'07	'08	'09	'10 E
Real GDP (a.v.r.)	7.5%	6.2%	8%	7.50%	6.80%	6.30%	7.20%
Inflation (average v.r.)	12.6%	6.4%	13%	8.2%	10.3%	3.4%	12.7%
Money supply (a.v.r.)	6.1%	22.0%	20.9%	25.0%	26%	34.6%	25.4% (a)
Current account balance (% of GDP)	-9.5%	-12.0%	-8.9%	-9.2%	-12.2%	-10.5%	-13.4%
Budget balance (as % of GDP)	-4.9%	-5.8%	-2.0%	-5.3%	-2.3%	-5.4%	-6.0%
Exchange rate MZN/USD end of period	18.89	23.06	25.97	23.82	25.50	29.2	32.79
% variation MZN/USD exchange rate	-20.8%	22.0%	12.6%	-8.3%	7.1%	14.5%	12.3%
Exchange rate MZN/ZAR end of period	3.38	3.62	3.82	3.50	2.72	3.96	5.03
% variation MZN/ZAR exchange rate	-4.0%	7.1%	11%	-8.4%	-22.3%	45.6%	27.0%

Note:
E – estimates, except exchange rate (Millennium bim) and inflation (INE).
(a) Government/IMF.

PUBLIC ACCOUNTS

The overall public accounts balance before grants was an estimated -5.5% of GDP in the first semester of 2010, with a balance after grants of -0.9% during the same period. Despite a 42.2% rise in fiscal revenue, year-on-year the deficit was due to increased current and investment expenditure of 42% and 12% respectively. Tax revenue accounts for 89% of total revenue and the substantial rise was due to reforms within the Tax Authority. Key factors in this specific case were: improved verification of accounting processes in companies, taxation on dividends, collecting tax paid by non-residents, taxation of financial income and export campaigns that meant less tax evasion by the formal sector.

The overall deficit in 2010 could rise to 6% of GDP due to expenditure on the fight against poverty, the construction of new infrastructure and the pressure of subsidies for some basic goods.

On the financing side there was a nominal rise of 21% in foreign loans amounting to 18.241 million meticais compared to 2009. Grants and other unilateral transfers by development partners rose to an estimated 33.776 million meticais (+ 33%).

EXTERNAL BALANCE

The external balance was influenced by a reversal of the 2009 negative export tendency following the global economic crisis. During the first semester of 2010 and given the recovery in global demand, exports rose in homologous terms by some 10.9%, to 1.0 thousand million dollars. The invisibles account, in particular remuneration for services and factors of production abroad, recorded rises of 15.5% and 5.9% respectively. The large projects contributed to the fall in the current account deficit, increasing their exports by 41.9%, in particular aluminium (50.3%), gas (14.4%) and electricity (11.8%).

Imports in the first semester 2010 totaled 1.5 thousand million dollars, 4.3% less than the same period in 2009. This variation reflects the impact of a 5.5% fall in imports (1.2 thousand million dollars) despite the substantial rise in imports of intermediate goods, fuel in particular (+ 77%, 308 million dollars).

Net transfers from abroad rose by 4% to 457 million dollars. In the first semester 2010 this produced a current deficit of some 339 million dollars, 39% less than in the same period in 2009.

CURRENT ACCOUNT BALANCE

Million USD

	2009 S1	2010 S1
Export of goods	910.2	1,009.6
Import of goods	-1,620.2	-1,550.4
Export of services	273.5	315.9
Import of services	-518.2	-577.2
Remuneration of received factor	112.1	118.6
Remuneration of paid factor	-156.5	-112.6
Transfers from abroad	480.3	480.6
Transfers abroad	-39.3	-23.4
Current Account Balance	-558.1	-338.9

Source: Banco de Moçambique.

Finance for the deficit was assured by some 223 million dollars in foreign investment flows, albeit a fall of 36%. The most relevant sources of financing were supplementary Shareholders' contributions and reinvested profits. Finance was also assured by capital transfers of 159 million dollars (-29%). The overall balance was financed by using the country's reserves (86 million dollars), recourse to IMF finance and external debt relief.

MOZAMBICAN FINANCIAL SYSTEM

The sudden rise in commodity prices, especially fuel and wheat, had a negative impact on inflation that in december reached 17.4% in homologous terms. This put a lot of pressure on the metical leaving little room for maneuver in monetary policy management by Banco de Moçambique. The demand for credit in the domestic market as well as currency depreciation due to the larger deficit in the current account balance reduced liquidity in the Mozambican financial system during the second half of 2010. This had a negative effect on the cost of resources and thus the cost of finance.

Money supply (M3) rose by an annual 26% (november) following financial operations by the state public sector and a rise in bank loans. Credit to the economy slowed its annual expansion but nevertheless reached 92.940 million meticais at the end of november 2010, an annual rise of 38.9%. The average daily balance of the monetary base in december was 31.851 million meticais, some 8% off target for the period.

At the end of december 2010 the financial sector recorded net international reserves of 1.9 thousand million dollars. Interventions in the foreign exchange market resulted in Banco de Moçambique foreign currency sales of some 748 million dollars in 2010 (about 798 million dollars in 2009), dampening the depreciation of the metical to produce a cumulative rate of 19.3% (9.7% in 2009). The largest depreciation was against the dollar (11.6%) and the rand (24.5%). This South African currency was very strong during the year, benefiting from the continued recovery of gold in the international market and the revival of capital flows for investment in certain sectors of the economy i.e. banking, mining and the retail sector.

During the year Banco de Moçambique, issued the following Notices:

- Notice 1/GBM/2010: Mandatory Reserves – approving regulations on the calculation and establishment of mandatory reserves and revising the coefficient for daily mandatory reserves from 8.0% to 8.5%;

- Notice 2/GBM/10: Mandatory Reserves – revising the regulations and increasing the coefficient for mandatory daily reserves from 8.5% to 8.75%.

In april, june and september Banco de Moçambique decided to revise upwards its intervention rates in the Interbank Monetary Market. The Permanent Credit Facility (PCF) rose by 400 b.p. to 15.5% and the Permanent Deposit Facility (PDF) by 100 b.p. to 4.0%. Consequently the spread in the corridor of Banco de Moçambique's main REPO rates was widened.

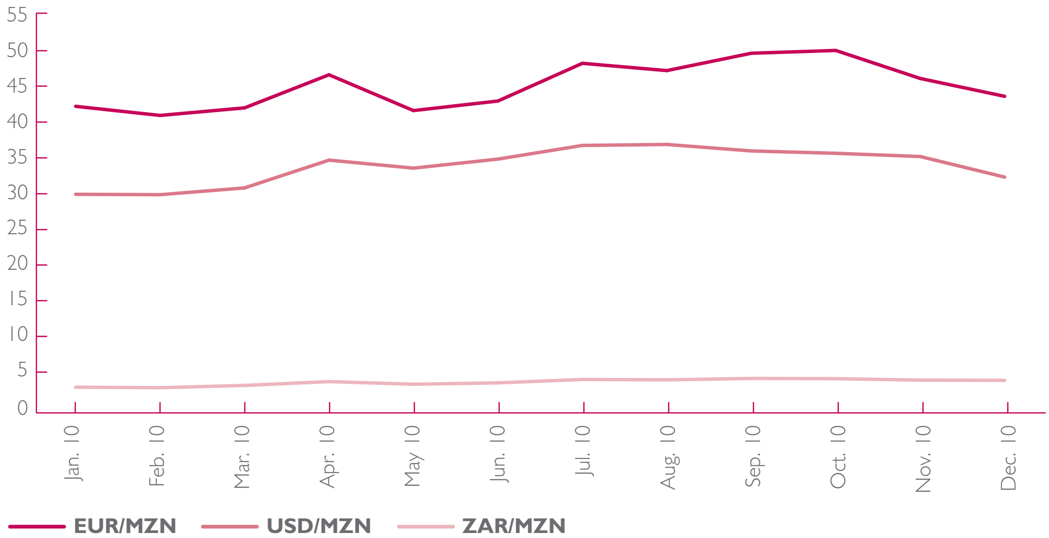
As already mentioned, the combined effect of controlling inflation and a shortage of liquidity in the financial system in the second half of the year had repercussions in terms of rising interest rates. The benchmark rates for the cost of private sector capital rose by some 4.8%: the rate for Treasury Bills with 91 days maturity (14.78%) and 364 days maturity (15.47%).

These measures produced a slowdown in lending to the economy in the second half of the year with priority for short-term and lower risk operations.

Throughout the year the metical was extremely volatile against the main international currencies. Although the metical devalued some 11.6% against the American dollar in 2010 in august the exchange rate was 38.00 meticais against the American dollar, a depreciation of 30% compared to 31 december 2009. Depreciation against the South African rand in 2010 was even more substantial, -24.5%.

The metical's accelerated depreciation during the year reflects demand pressure for foreign currency for various kinds of imports, in particular liquid fuels that in june cost over 90 million dollars. It is estimated that in 2010 fuel cost 536 million dollars compared to 342 million dollars in 2009.

EVOLUTION OF MAIN FOREIGN CURRENCIES/MZN



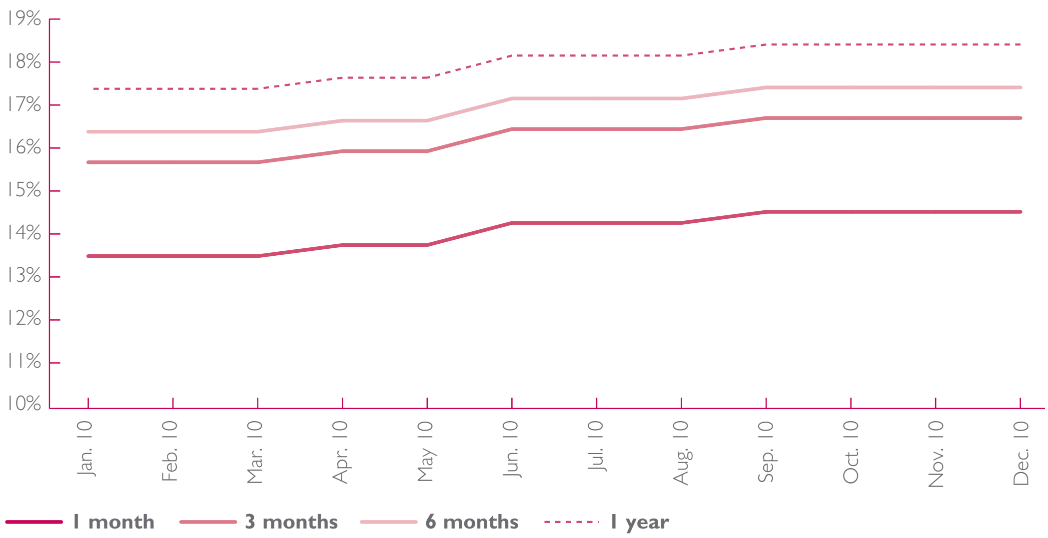
The graph above shows the changes in the metical's exchange rate against the main currencies traded in the Mozambican financial system. In order to mitigate stronger depreciation of the metical against the American dollar Banco de Moçambique intervened in the market not just through auctions but also through bilateral interventions with commercial banks. As of august 2010 it also started to ensure the total sale of foreign currency for the full payment of invoices related to fuel imports.

During 2010 Banco de Moçambique increased the coefficient of Mandatory Reserves by 75 b.p. to 8.75% and changed the incidence base, restricting it to deposits by the State and the economy.

In capital markets, stock exchange transactions during the year remained the same as in previous years with few operations in the secondary market. Of these, of note was the issue of five-year Treasury Bills 2010 (1,500 million meticais) and three bond issues through the Stock Exchange by Petromoc 350 million meticais), Mcel (380 million meticais) and Millennium bim 2010-2015 (1,000 million meticais).

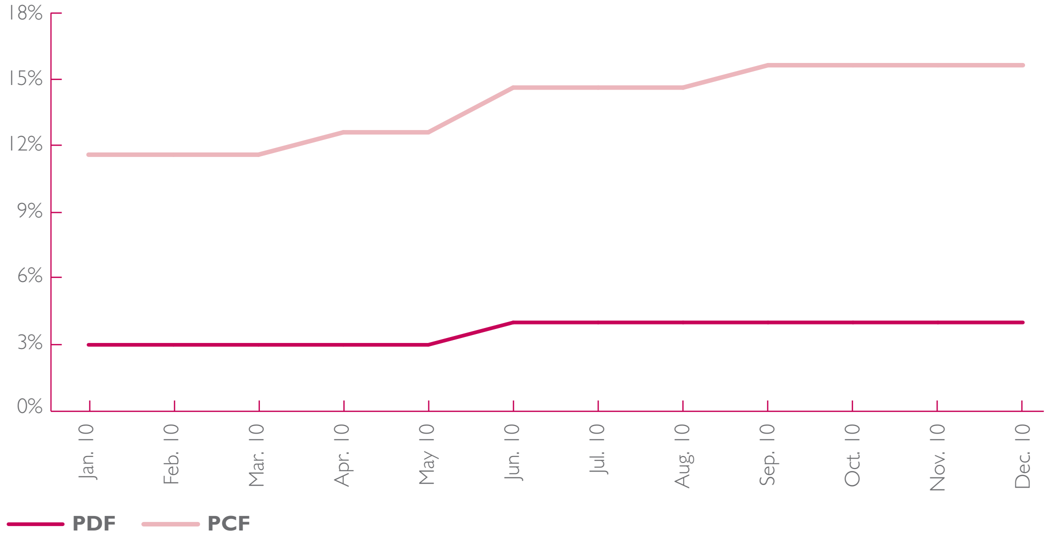
In the Interbank Monetary Market in 2010 the Maputo Interbank Offer Rate saw an average 100 b.p. rise along the whole income curve with the respective income curves remaining positive:

MAIBOR MZN



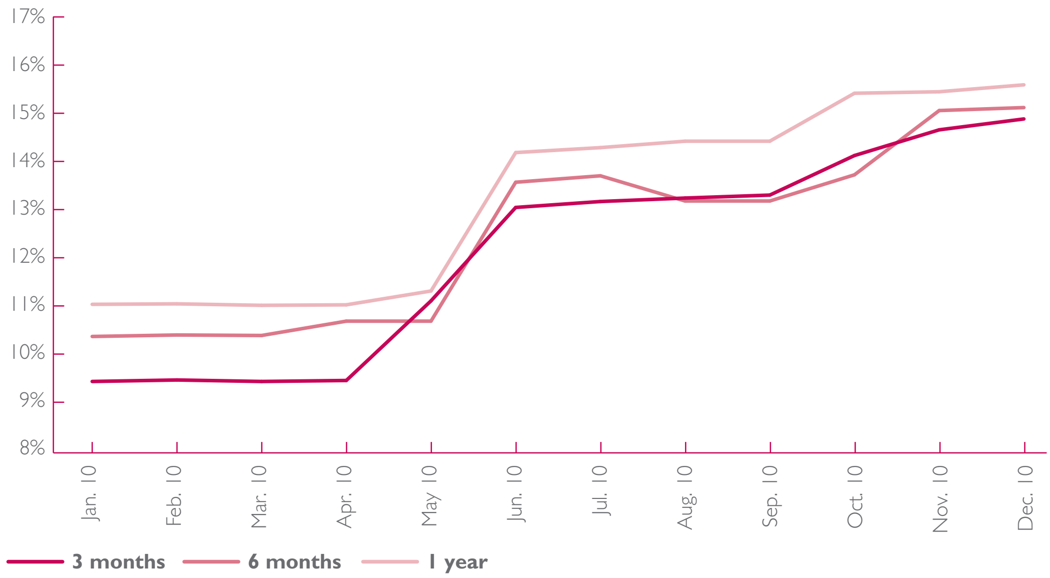
The Banco de Moçambique intervention rates in 2010, the Permanent Credit Facility (PCF) and Permanent Deposit Facility (PDF) rates were as follows:

REPO RATES – MZN



The interest rates on Treasury Bills with maturities of 91, 182 and 364 days rose by 528 b.p., 467 b.p. and 446 b.p. respectively. By the 31st of december 2010, Treasury Bills with these maturities were worth 14.78%, 15.01% and 15.47% respectively:

TREASURY BILLS – MZN



MILLENNIUM BIM ACTIVITIES

EMPLOYEES

Fully aware of the need to create opportunities for professional fulfillment and the importance of its team of Employees working together for the development of the institution, Millennium bim considers that its human resource management policy is one of its fundamental pillars. It has also established that its strategic priorities are training, appreciation and accountability, as essential factors in its service excellence for the efficient and dynamic operation of the Bank.

Valuing work, involvement, a responsible attitude and constant training are part of a set of practices that feed into an appropriate personnel management policy that is also based on the well-being of Employees, guaranteeing health services, hygiene and safety at work.

In 2010 were admitted 280 new Employees, roughly 50% of them women, 79% of whom were assigned to the commercial area. This reflects not only the network expansion program with over 10 new branches in 2010, but also the need to ensure more efficient and dynamic service.

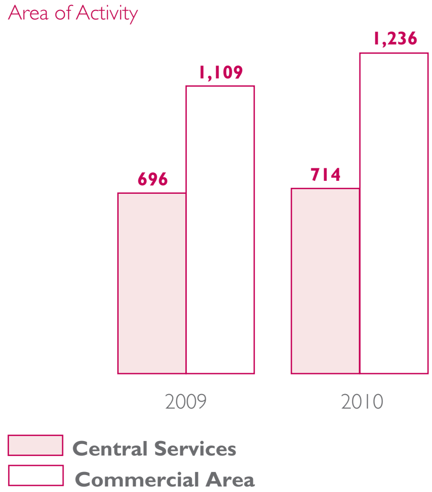
In addition to various training activities overseas there were 13 initial courses for 268 Employees and 19 courses for 214 Employees in Simulated Branches in Maputo, Beira and Nampula.

As regards the functional aspect, where programs are associated with the specific requirements of each function and business, the main focus was on refresher courses, in particular training in credit operations involving 108 Employees.

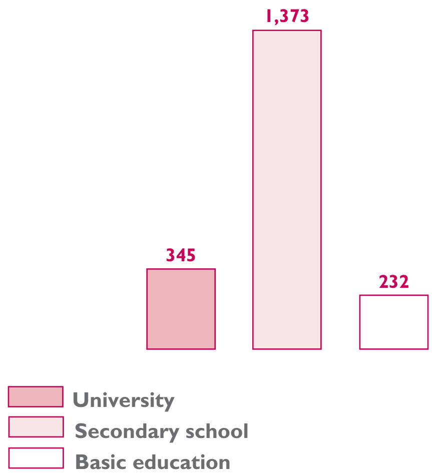
The 4th Integrated Training Cycle on the Bank's products and services targeted Employees in the commercial area and was attended by 945 or roughly 90% of all Employees in this area.

Fifty two Employees attended various specialist training activities abroad in the fields of Information Technology, Business Continuity Management (BCM), Reinventing the CFO, the CCNA Cisco Data Network Securing Network with Cisco Router, Project Finance and Corporate Finance, Procurement, Implementation of Quality Systems and Specialization in Fiscal Law.

NUMBER OF EMPLOYEES
Area of Activity



EDUCATION LEVEL OF EMPLOYEES



ANALYSIS OF BUSINESS AREAS

ACTIVITIES OF BUSINESS SEGMENTS

In a year when the Mozambican financial sector saw liquidity becoming scarce, especially in the second half of the year, Millennium bim demonstrated its strong management capacity. It took initiatives to stabilize its portfolio of liabilities with longer-term products, including issuing 10,000,000 classical bonds with five years maturity worth one thousand million meticais.

Given its strategy of innovation and diversification in its supply of products and services and demonstrating its strong retail vocation, in 2010 Millennium bim maintained its leadership in the financial sector. Its main aim was to attract resources based on careful management, a strong emphasis on good Corporate Governance practices and total respect for International Financial Reporting Standards, key factors in the Bank's financial stability. Management quality was reflected in rising net income, the fact that it is the most solid financial institution in the market with a robust equity structure, and an excellent solvency ratio.

The strategies proved to be appropriate to the current economic and financial context and growing competition in the banking and insurance sector, based on improving service quality and profitability, prudent risk management, optimization of operational performance, growth in all core businesses, keeping the main financial and liquidity indicators robust and strict respect for the judicious and efficient management of capital.

Constant innovation and the products provided reflect the inspiration and prioritization of Customers' requirements, serving them in a universal albeit segmented manner, and trying to meet their expectations and demands.

In the foreign exchange market, Millennium bim's characteristic dynamism led it to take advantage of business opportunities related to commercial transactions between the Bank and its Customers, encouraging them to learn about the Bank's mechanisms for optimizing their management and minimizing their foreign exchange risks.

In 2010 Millennium bim strengthened its relations with one of the largest mobile phone operators in the market, identifying areas where they could cooperate and become partners in order to take advantage of potential synergies. The agreement reinforced innovation in the respective strategies of each party.

Once again the Bank has shown its commitment and responsibility to developing, modernizing and promoting a sound financial system by encouraging debate on current topics. It organized the "VI Millennium bim Economic Conference" on "Poverty and Economic Development – the case of Mozambique", attended by national and international personalities from various parts of the world.

Ethics and responsibility, in the sense of making a difference as well as profits, a vocation of excellence in the sense that only the best is acceptable, and a focus on the Customer are intrinsic values that continue to govern the Bank's activities in the new competitive environment. They embody its commitment to an efficiency ratio that is a point of reference for the sector, and stronger discipline in managing capital.

RETAIL BANKING

Commercial activity in 2010 was characterized by a continued rapid pace of initiatives that deepen relations between the Bank and its Customers, by launching a number of products and services that enhance the dual loyalty/returns effect.

Segmentation of the network continued, ensuring that the activity of Millennium bim's Retail Network meets the needs and expectations of Customers who value innovation and speed, and adapting its level of service to their particular interests.

Expansion of the branch network continued. Ten new branches were opened – one in a rural area where there was no other banking institution and another three in peri-urban areas, expanding banking services to the population in these regions.

The following new branches were inaugurated:

- Marés – Maputo city;
- Mica – Maputo city;
- Praça da Juventude – Maputo city;
- Universidade Pedagógica – Maputo city;
- USTM – Maputo city;
- Benfica – Maputo province;
- Marracuene – Maputo province;
- Parque dos Poetas – Maputo province;
- Patrice Lumumba – Maputo province;
- Chuabo – Zambézia province.

In addition, three old branches were totally rehabilitated and provided with more space, modernizing their image and thus providing better conditions and service quality. It was also decided to close down one urban branch (Maputo city).

Optimization of commercial processes in the branch network continued with reductions in the transaction component. New functionalities were developed in *Millennium net* internet banking, *Linha bim* telephone banking and *Millennium sms* mobile banking. These include, in particular, the simplified, automatic recharging of mobile phones and credit card statements via e-mail that permits a focus on a proactive commercial strategy, reducing the administrative burden of the branches. Above all, it is more convenient for the Customer.

Emphasis on electronic banking, creating alternative quality channels with priority for the accessibility and availability of commercial banking in the country, continued to be a strategic priority throughout the year. The ATM and POS network was expanded and old equipment with less capacity was replaced.

The competitive environment was characterized by substantial competition in the main business variables, in particular consumer credit and attracting resources. Through its appealing, competitive, appropriate and opportune offers Millennium bim continued to lead in all market segments.

Complementing its variety of credit products, there was ***Nova Linha de Crédito Agrícola*** – destined exclusively for individuals, companies and individual entrepreneurs (ENI) linked to agriculture in the provinces of Maputo and Gaza, to encourage growth of the domestic market.

Ever alert to market developments, products for companies were improved with special emphasis on support for foreign operations aided by the ***Campanha de Crédito Documentário para Importação (CDI)*** that provided even more competitive pricing.

Millennium bim's launch of new products and services included the ***Carta-Cheque***, a new service for companies involving a non-negotiable cheque, accompanied by a letter addressed to the recipient describing the payment, with the cheque as a detachable part of the letter.

There was an innovative new offer directed at university students studying for a Licentiate or postgraduate degree. This was ***Crédito Universitário***, a product that enables Customers to benefit from preferential conditions.

There were also important campaigns linked to the launch of a diversified offer of Term Deposits and to encourage savings. In this field, during the year Millennium bim developed a variety of solutions for savings adapted to every budget, people of all ages and all types of business.

The most significant products launched in 2010 to attract resources were the following: ***Depósito Poupa Mais***, a 365 day financial application with an accessible minimum initial amount and attractive rates for each level of the applied amount, and ***DP 15 anos*** a commemorative product for Millennium bim's 15th anniversary. This is a 365-day financial application with pre-determined, constant monthly interest rates and a 15% interest rate in november.

More intensive cross-selling as a cross-cutting vehicle for Customer loyalty continued to be a priority throughout the year. Among other activities, of particular note was the creation of a varied personal accident insurance entitled *Pacote Protecção Doméstica* (domestic protection package). This offer included alternatives ranging from payment of pensions to domestic employees in the event of death or permanent disability (domestic protection insurance), to personal accident coverage for the employer and his/her family (*Seguro Protecção Total*).

Innovation went beyond the conception and launch of new products and services. It also covered optimizing processes. Simplification of the processes involved in analyzing and deciding on credit, maintaining rigorous and attentive risk management, resulted in more loans being granted while maintaining excellent quality indicators in the portfolio.

Expansion of the branch and ATM network, commercial dynamism and the innovative offer of products and services resulted in a substantial rise (22%) in Customers to 863 thousand, reflecting the market's continued confidence in Millennium bim.

CORPORATE AND INVESTMENT BANKING

The Corporate network strategy has seen constant improvements in the Bank's value proposition for this segment, in terms of both the supply of products and services and also the technical competence and behavior of Customer managers that meet Customer's expectations by providing services with quality and professionalism.

Complete mastery of the products and services offered, readiness to identify, analyze and build appropriate solutions for Customers and helping to consolidate the market share are the strategic focal points in this network. In order to serve our Customers better, in 2010 the segmentation and classification of Customers were consolidated and Customers with the respective profile who were still in the Retail Network were made Corporate Customers.

Regular visits to Customers, accompanying them, advising them and in this way anticipating their needs and problems constituted the heart of Corporate activity. Simultaneously, judicious selection of loans, taking risks that do not compromise its sustainability, was a cornerstone of the Bank's activity.

Throughout the year improvements in *Millennium net* (internet banking) and the PCS application (Payment and Collection System) supported by an effective post sale-service enabled Customers to enter their files directly into the banking system. These changes have substantially improved the efficiency and functionality of the application, thereby increasing Customer confidence and satisfaction.

Efficient coordination between the commercial areas as a vehicle for optimizing service quality and intensified cross-selling resulted in more protocols being signed with large companies. This had a positive impact not only in terms of attracting resources but also the diversified supply of products and services to companies and their respective employees. This synergy has enabled business to expand and, associated with the strong commitment of the teams, has meant that the objectives set for these segments in 2010 were achieved.

The range of services provided to Customers by Investment Banking includes the syndication, structuring and assembly of medium and long-term financing as well as the financial services and capital market area, in particular the assessment of businesses and procurement of partnerships.

SUBSIDIARY COMPANY

SEGURADORA INTERNACIONAL DE MOÇAMBIQUE, S.A.

In 2010 the processed revenue of the insurance company rose by 30% compared to 2009 and totaled 1,218,105 thousand meticais.

The Real business contributed to this increase with 17% growth compared to the previous year due to an increase on business in Vehicle, Health and Workplace Accident products. Strong growth continued in the real business that includes insurance against Machinery Breakdown and Works and Assembly (32.6% higher than the previous year), due to a rise in production associated with insurance on road rehabilitation, bridge construction and insurance for tugs and dredgers.

The strategy was based on dynamism and regular monitoring of the development of the Insurance Company's branches in the country's main economic development centers in order to improve Customer service. Simultaneously, the strategy of intensifying cross-selling continued, using the Group's synergies in products associated with *Credito Nova Vida*. This was reflected in the processed revenue of the Life Risk products with growth of 22.4% in bancassurance business compared to the same period in 2009.

Net collections in the period grew at a rate that was very close to the growth in revenue i.e. 27% which in itself is a major collection effort. The average collection period fell from 19 to 18 days. Given the difficulties arising from the economic and financial state of the market this is also significant.

In 2010 particular attention was paid to changing or adjusting work processes and thus the reformulation of internal norms in order to regulate and implement appropriate internal control systems and redefine the way various areas of the Company worked, making them more effective.

One of the Company's priorities in 2010 was training Employees. Training was varied and comprehensive, and intended to bring Employees up to date on the best international practices while taking into account the specific characteristics of the country's insurance market. There was also specific training related to implementation of the new IT system, involving external consultants and Suppliers. Of particular note was training on IFRS and also specific training for the application of the new CAIE [17] that will enable the Insurance Company to implement IFRS in 2011.

It should be noted that the conversion and configuration of the new Chart of Accounts was concluded and work is underway to convert the 2010 accounting movements to the new CAIE to permit a comparison with 2011.

In addition, there were adjustments to movements on 31/12/2009 and all movements in 2010 in accordance with the new IFRS.

The Net income of the Insurance Company in 2010 was 252,208 thousand meticais, 24.7% higher than the previous year. The Insurance Company also maintained its leadership in the Mozambican insurance market.

The commercial strategy for 2011 involves strengthening the dynamism of the Traditional Branch network, focusing on marketing the new products launched in the last quarter of 2010, continuing to pursue excellence in Customer service and in this way come closer to them and met their requirements promptly, ensuring high service levels.

The continuation of this strategy in 2011 will include opening two new branches in Tete and another in Matola, in order to accompany the challenges in these two important development centers that are showing clear signs of growth.

(17) CAIE – Chart of Accounts for Insurance Entities.

BANKING SERVICES

ELECTRONIC BANKING

In 2010 Millennium bim's leadership in the alternative electronic channels was strengthened by focusing on service quality, providing continuity for the growing number of Customers who prefer to use these banking channels.

There were substantial improvements and developments in the POS channel, in particular new transactions that enable traders to accept deposits, transfers, acquire recharge vouchers, make payments for services, and also make purchases through the POS channel. They are innovative and unique services in the market, targeting traders in rural areas or areas without banking coverage but where the population need these services.

The supply of cards was expanded with the launch of yet another debit card Visa Electron PRIME with a distinctive image and numerous advantages for Customers in this segment.

One important move was the consolidation of EMV-Chip Card certification for Visa and Mastercard cards. This development provides more security in the respective transactions while at the same time bringing the Bank's procedures in line with the best international practices.

In order to provide a supply of products and services with higher added value Millennium bim implemented a service for automatically recharging mobile phones. This enables Customers to receive the value of the recharge directly on his/her cell phone without having to type in the recharge code. Another new service was sending Customers' credit card statements by e-mail, making life easier for them and giving them speedy access to information on their expenditure.

Millennium bim strengthened and renewed its physical ATM network that continues to be one of its distinguishing features. In 2010 the network reached 322 units, 32 of which new equipment, 11% growth compared to the previous year.

As regards processing, the number of annual ATM transactions rose by 41%, showing that Customers prefer the availability and comfort of this transaction channel.

The POS channel continues to be a priority electronic means of payment due to its many advantages, not only its wide geographic coverage but also the different communication technologies available – dial-up, GSM (Global System for Mobile) and GPRS (General Packet Radio Service) – that enable this means of payment to be used in remote areas. The speed, security and low cost associated with transactions mean that they are being used more and more by end Customers and traders.

The continued dynamism in this alternative banking channel was reflected in a 29% rise in transactions compared to the previous year. In 2010 the network reached 2,662 POS, distributed throughout the country and sectors, 5% more than in 2009.

As part of its diversified supply of products and services, Millennium bim has also been consolidating the growth of its e-commerce channel, where it was a pioneer, by establishing partnerships and agreements with companies wishing to expand their Customer base in a secure, modern and effective manner.

The e-commerce channel allows national companies to become international by selling their products without physical boundaries, providing their services universally through the internet.

Millennium bim continues to be a point of reference as regards cards, with a penetration rate of over 90% in current accounts, and 848,000 cards in the debit and credit universe, where supply comprises a variety of cards such as Electrons, VISA, Cobranded and Private Labels.

Another change that should be mentioned was adjustment to the daily limits for ATM withdrawals for the different Customer segments and profiles, adapting supply to the profile of each Customer.

OPERATIONS AND INFORMATION SYSTEMS

For the Millennium bim Information Systems Area 2010 was yet another period full of additional developments that had two main objectives: to provide Customers with new products/services, adding value to the Bank's available supply or, alternatively, providing IT tools to support areas in order to make their workflows more efficient, reducing Customer response time, increasing operational control and reducing the inherent operating risks.

Consequently, the priority in the Information Systems Area was to implement a centralized application that monitors the availability and performance of the various systems used in the Bank. This helps increase Customer satisfaction, as the system makes it possible to anticipate and resolve eventual problems that, if not diagnosed and addressed in time, could affect Customers' perceptions of the Bank's service quality.

In 2010 the Bank continued to consolidate the workflow structure supporting all its relevant business processes. Given its relevance for Customer service, of particular significance during the year was the Opening Current Accounts Workflow. It made the process more efficient and paperless and also made a substantial contribution to controlling this system. Another important process is the Management of Public Registration Records and Insurance Workflow that minimizes the credit risk of ongoing operations.

Finally, given their respective relevance, the implementation of recommendations arising from the "Millennium bim Project to Improve Information Systems" that meets ISO 27000/27001 standards, warrants a special mention. This work has enabled the Bank to align with the best international practices, ranging from IT management and the adoption of SDLC policies (Software Development Life Cycle) to the segregation of internal networks, encrypting communications or the definitive destruction of applications for safeguarding information.

RISK MANAGEMENT

Risk management is an extremely important issue for the development, profitability and sustainability of Millennium bim business. It comprises a set of vital functions that ensure that the Bank and its subsidiary comply totally with legal and regulatory requirements on the level of equity appropriate to the risk exposure arising from its financial banking activity. It is also one of the fundamental components of the Bank's overall internal control environment. Consequently, risk management continued to develop in 2010 through various types of well-defined activities including, in particular:

- Further work to improve Impairment models, Rating, Credit Scoring and the Calculation of Pricing thresholds as values for the minimum spreads to be applied to each Level of Risk and the degree of protection for each credit operation;

- Constant focus on improving Internal Control Systems;

- Improving the quality of management information to support measurement of the degree of risk incurred, as well as internal procedures for assessing and reporting on risk.

In the case of the impairment model, Millennium bim revised its criteria for signs of impairment in order to adapt them to the current stage in the evolution of the Bank's loan portfolio. It also started to discuss the implementation of an internal Early Warning Signals model that detects situations of potential non-compliance and proposes pro-active actions to avoid their happening or becoming worse. It is based on incidences of risk in the form of Early Warning Levels (Watch, Reduce and Demobilize) and the respective Action Plans. The Action Plans reflect the Bank's strategy on Customer relations, promoting pro-activity and anticipation in direct contact with them, understanding the reasons for the incidence(s) and resolving the problem. In its work on the impairment model Millennium bim also revised and improved the operational efficiency of the management of guarantees received by the Bank.

Millennium bim concluded a series of significant changes in its Credit Scoring and Rating models, in particular the calibration of behavioral (TRIAD) and Rating models for companies in the Corporate segment based on a new table of risk levels (MasterScale) established for the entire Millennium group. This enabled it to launch a project to improve Operational Efficiency in the Calculation of Pricing Thresholds for loan operations as the Minimum Spread amounts to be applied according to the degree of risk and the level of protection for each loan operation.

In the internal control system measures are being taken on operational efficiency along with the constant search for new actions to achieve this objective. This permanent process is followed regularly not only by the Internal Audit Directorate but is also part of follow-up actions by External Auditors.

In 2010 there were also improvements and developments in the identification, evaluation and monitoring of risks, as well as the respective internal information for the Risk Control Committee. In particular, the main internal norms on risk management were revised and updated, and new internal regulations on Risk Management as well as specific procedures for the Liquidity and Capital Contingency Plan were established and approved.

GOVERNANCE AND RISK MANAGEMENT MODEL

Millennium bim's risk policy and management continue to develop through a functional model of cross-cutting control. In this model the Millennium bim Executive Committee is responsibility for governance and it delegates the monitoring and control of each kind of risk to the Risk Control Committee.

In 2006 Millennium bim Executive Committee has created a Risk Office that is governed by a comprehensive set of Risk Management Norms and Principles that apply to the whole Millennium Group.

The Risk Office is responsible for coordinating and conducting risk assessment and monitoring, as well as implementing risk controls in all business or functional business support areas.

Also in the risk management field, the Millennium bim Board of Directors has established an Audit Committee that, in collaboration with the Risk Control Committee, ensures that there are adequate risk control and risk management systems in the Bank.

RISK ASSESSMENT

CREDIT RISK

Credit risk is associated with loss and the degree of uncertainty about expected returns due to the inability of the borrower (and his/her guarantor, if any) or the entity that issued a security or a counterparty to a contract, to meet his/her obligations.

The relevance of this risk is crucial to the respective materiality of the Bank's overall exposure to risk, as well as being a kind of risk that has a practical and direct presence in the daily activity of its commercial networks.

Composition of the loan portfolio

At the end of 2010 the composition of the Millennium bim loan portfolio in terms of the way it is recorded (i.e. on-balance sheet versus off-balance sheet exposure) is not very different to the portfolio in december 2009, as illustrated by the graphs on the side.

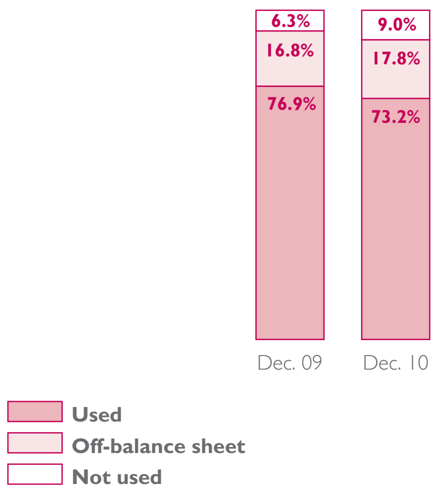
The breakdown of the overall loan portfolio into exposure segments (in accordance with Basle II rules) is shown in the second figure.

Calculation of economic capital

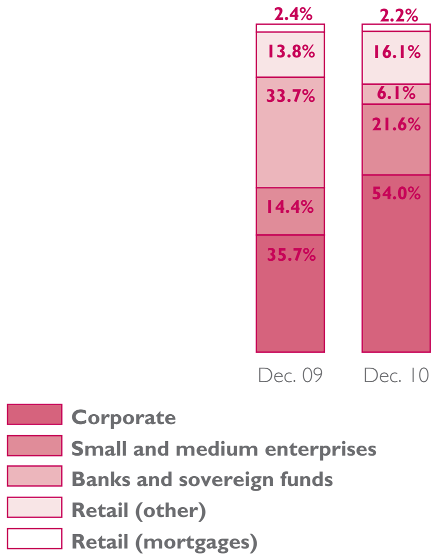
Economic capital based on credit risk is calculated using an in-house portfolio actuarial model. It permits estimates of the distribution of the probability of total losses based on exposure and specific characteristics in the Millennium bim loan portfolio.

The model incorporates measures related to basic credit risk assessment variables – Probability of Default (PD), Loss Given Default (LGD) and off-balance sheet Credit Conversion Factors (CCF) – and also takes into account the uncertainty associated with such measures by including the volatility of these parameters. In addition, it contemplates the effects of diversifying/concentrating credit risk. The contribution of each sector or exposure to total risk is demonstrated in the joint analysis presented in the following table.

COMPOSITION OF THE LOAN PORTFOLIO



BREAKDOWN OF THE OVERALL LOAN PORTFOLIO



Millions MZN

			December '10			December '09			VAR. (dec. '10 – dec. '09)			
			Exposure	Impairment	Imp./Exp.	Exposure	Impairment	Imp./Exp.	Exposure	Impairment	Exposure	Impairment
TOTAL LOAN PORTFOLIO	Loan portfolio with signs of impairment	Individual analysis	6,412	1,046	16.3%	961	480	50.0%	5,451	566	567.1%	117.8%
		Parametric analysis	1,028	479	46.6%	529	227	42.8%	499	252	94.2%	111.3%
	Loan portfolio with no signs of impairment	Individual in collective analysis	30,440	556	1.8%	26,321	471	1.8%	4,119	85	15.6%	18.1%
		Collective in individual analysis	12,180	241	2.0%	9,307	180	1.9%	2,873	61	30.9%	33.7%
		Total	50,060	2,322	4.6%	37,119	1,358	3.7%	12,941	964	34.9%	71.0%

In december 2010 economic capital associated with credit risk was 71% higher than in december 2009. As in previous years this increase is not just due to the rise in the loan portfolio with signs of impairment but also the substantial rise in the loan portfolio without signs of impairment (collective impairment segment). Indeed, in 2010 the loan portfolio without signs of impairment grew by some 20% year-on-year and losses due to the corresponding loan impairment rose by 22%. Consequently, the rise in economic capital associated with credit risk is not only due to increased losses in the Bank's loan portfolio but also to the substantial rise in the loan portfolio without signs of impairment assigned to the IBNR (collective impairment) defined for general credit risks.

MARKET RISK

The concept of market risk reflects the potential loss that can occur due to adverse changes in interest and exchange rates, the price of shares and bonds or any other assets in the Bank's portfolio that have a measurable price.

The assessment of interest rate risk (gaps built by the residual repricing term of valid contracts) reported on the 31st of december 2010 and the 31st of december 2009 is shown in the following tables:

INTEREST RATE GAP FOR THE BALANCE SHEET – MZN

MZN' 000

	Up to 1 month	1 - 3 months	3 months – 1 year	1 - 3 years	Over 3 years
31st of december 2010					
Assets					
Cash and deposits at Banco de Moçambique	2,777,531	922,731	1,214,123	25,672	-
Deposits in other credit institutions	-	-	-	-	-
Loans and advances to other credit institutions	585,001	-	-	-	-
Loans and advances to Customers	20,725,749	6,134,379	584,097	57,105	-
Financial assets available for sale	720,000	3,531,166	405,000	-	-
Total assets	**24,808,281**	**10,588,276**	**2,203,220**	**82,778**	**-**
Liabilities					
Deposits from other credit institutions	9,997,260	5,830,532	7,473,331	6,964,798	-
Deposits from Customers	1,000,000	48,750	-	-	-
Debt securities issued	-	-	260,000	-	-
Total liabilities	**10,997,260**	**5,879,282**	**7,733,331**	**6,964,798**	**-**
Interest rate risk gaps	**13,811,021**	**4,708,993**	**(5,530,111)**	**(6,882,020)**	**-**
Accumulated interest rate risk gap	**13,811,021**	**18,520,015**	**12,989,904**	**6,107,884**	**-**
Accumulated sensitivity	**132,925**	**176,430**	**139,275**	**-**	**-**
31st of december 2009					
Total assets	22,514,002	6,773,619	5,772,356	103,944	-
Total liabilities	13,042,457	8,039,971	9,434,656	86,170	-
Interest rate risk gaps	9,471,545	(1,266,351)	(3,662,300)	17,774	-
Accumulated interest risk rate gap	9,471,545	8,205,193	4,542,893	4,560,667	-
Accumulated sensitivity	74,349	62,760	38,897	-	-

INTEREST RATE GAP FOR THE BALANCE SHEET – USD

MZN' 000

	Up to 1 month	1 - 3 months	3 months 1 year	1 - 3 years	Over 3 years
31st of december 2010					
Assets					
Cash and deposits at Banco de Moçambique	257,597	-	-	-	-
Deposits in other credit institutions	33,701	-	-	-	-
Loans and advances to other credit institutions	3,876,020	1,310,856	4,561	-	-
Loans and advances to Customers	4,508,758	2,605,685	802,850	-	-
Financial assets available for sale	-	-	-	-	-
Total assets	**8,676,077**	**3,916,541**	**807,411**	**-**	**-**
Liabilities					
Deposits from other credit institutions	3,324,744	2,895,085	2,326,958	3,661,144	-
Deposits from Customers	-	-	-	-	-
Debt securities issued	-	-	-	-	-
Total liabilities	**3,324,744**	**2,895,085**	**2,326,958**	**3,661,144**	**-**
Interest rate risk gaps	**5,351,332**	**1,021,456**	**(1,519,546)**	**(3,661,144)**	**-**
Accumulated interest rate risk gap	**5,351,332**	**6,372,789**	**4,853,242**	**1,192,099**	**-**
Accumulated sensitivity	**50,929**	**60,083**	**50,436**	**-**	**-**
31st of december 2009					
Total assets	6,828,296	2,583,174	640,329	-	-
Total liabilities	3,654,263	3,008,897	2,959,219	315	-
Interest rate risk gap	3,174,033	(425,723)	(2,318,890)	(315)	-
Accumulated interest risk rate gap	3,174,033	2,748,310	429,419	429,105	-
Accumulated sensitivity	26,334	22,769	10,162	-	-

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

As the above tables reporting as of the 31st of december 2010 show, the interest rate sensitivity of the balance sheet to a parallel shift in the yield curves of one percentage point shows 139,275 thousand meticais and 50,436 thousand meticais for the currencies in which Millennium bim holds its most significant positions, respectively, meticais and dollars compared to 38,897 thousand meticais and 10,162 thousand meticais in december 2009.

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

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

- Sensitivity Indicator – calculated by simulating the impact on the Bank's income of a hypothetical 1% variation in the Central Bank closing rate.

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

LIQUIDITY RISK

Management of liquidity risk

Liquidity risk reflects the possibility of incurring substantial losses from deteriorating financing conditions and/or the sale of assets below their respective market values, in order to address the need for funds arising from the Bank's obligations.

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

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

The Risk Office is responsible for assessing liquidity risk through in-house indicators (immediate liquidity and quarterly liquidity indicator that measure the maximum demand for funds that can occur on a single day, taking into account cash-flow projections for three days and three months respectively) and other norms aligned with the Millennium group for which there are specific exposure limits. The Risk Office also calculates regularly the evolution of the Bank's liquidity position (Liquidity Ratio) and conducts liquidity stress tests. The results provide input for the preparation and assessment of the Liquidity and Capital Contingency Plan discussed below and for current management decisions.

The growth of the Bank's business portfolio in 2010, with a substantial rise in the loan portfolio, did not involve the use of alternative financing sources as the growth in deposits made it possible to finance the considerable growth in the loan portfolio. This meant that to a large extent the substantial growth in the loan portfolio could be financed.

Of particular note was the issue of 1,000 million meticais in bonds, a classical type of debenture, with five years maturity, that made it possible to increase the stability of the resources attracted.

The accumulated liquidity gaps are shown in the following table:

ACCUMULATED LIQUIDITY GAP OF THE BALANCE SHEET

MZN' 000

	Up to 1 month	1 - 3 months	3 months – 1 year	1 - 3 years	Over 3 years
31st of december 2010					
Assets					
Cash and deposits at Banco de Moçambique	2,655,870	1,095,618	1,597,370	30,757	-
Deposits in other credit institutions	-	-	-	-	-
Loans and advances to other credit institutions	4,903,361	1,310,856	-	-	-
Loans and advances to Customers	4,881,438	4,165,032	5,164,586	6,577,209	15,429,794
Financial assets available for sale	720,000	3,531,166	405,000	-	-
Total assets	**13,160,669**	**10,102,673**	**7,166,956**	**6,607,966**	**15,429,794**
Liabilities					
Deposits from other credit institutions	194,758	-	-	-	-
Deposits from Customers	8,486,690	10,227,671	14,078,449	1,768,374	8,618,012
Debt securities issued	-	-	-	48,750	1,000,000
Subordinated debt	-	-	-	85,000	175,000
Total liabilities	**8,681,448**	**10,227,671**	**14,078,449**	**1,902,124**	**9,793,012**
Liquidity gap	**4,479,221**	**(124,998)**	**(6,911,494)**	**4,705,842**	**5,636,781**
Accumulated liquidity gap	**4,479,221**	**4,354,223**	**(2,557,271)**	**2,148,571**	**7,785,352**
31st of december 2009					
Total assets	15,315,988	7,028,173	7,260,904	3,309,285	14,107,343
Total liabilities and equity	16,870,203	10,223,336	13,319,737	84,671	607,632
Liquidity gap	(1,554,215)	(3,195,163)	(6,058,833)	3,224,614	13,499,712
Accumulated liquidity gap	(1,554,215)	(4,749,378)	(10,808,212)	(7,583,597)	5,916,115

The subprime mortgage crisis in the USA and its effects as of the second half of 2007 had no direct impact on the Bank's liquidity so Millennium bim maintained its liquidity risk management principles. Nevertheless, this did not mean that the situation was not considered relevant by Bank's support and risk management team. Additional effort to attract Customers' deposits in all business segments was made a priority. In addition, a detailed plan to maximize the Bank's results in a liquidity crisis was prepared.

Liquidity Plan

The Liquidity Plan establishes the Bank's desired financing structure and is an integral part of the budget process. It establishes the actions considered necessary to achieve the appropriate financing structure.

The priorities, responsibilities and specific measures to be taken in the event of a liquidity crisis are defined in the Liquidity and Capital Contingency Plan. The objective of this plan is to maintain a balanced liquidity and capital structure and it also establishes the need for constant monitoring of market conditions, action lines and triggers for decisions to be taken in the face of adverse scenarios, as well as anticipating them.

OPERATING RISK

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

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

Without prejudice to the accountability and involvement of the entire organization, the management of operating risk is based on a process structure, and benefits from a broader perception of risk due to an end-to-end vision of activities along the value chain of each process. Process Owners appointed by the Millennium bim Executive Committee have been made responsible for managing processes and their mission in managing operating risk is as follows:

- To characterize operational losses in the context of their processes;
- To do self assessment of risks to identify the actual and potential risks in each process;
- To take appropriate action to mitigate and/or eliminate exposure to risk, helping to strengthen the internal control environment; and
- To monitor Key Risk Indicators.

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

The first Millennium bim self assessment was concluded in 2010. For each process it was possible to assess the results of exposure to operating risks taking into account the risk mitigation being used and identified by process owners and managers.

FINANCIAL ANALYSIS

SUMMARY

In accordance with Notice 04/GBM/2007 and complementary dispositions issued by Banco de Moçambique, BIM – Banco Internacional de Moçambique, S.A. presents its individual and consolidated accounts for the financial years 2009 and 2010 in accordance with International Financial Reporting Standards (IFRS).

The context for banking activity in developed economies was particularly difficult, with strong Central Bank and Government intervention providing liquidity and stimulus for the economy as the main monetary and budget policy. The effects of the world crisis spread to emerging markets, in particular the shortage of liquidity and a fall in grants. In this context Millennium bim demonstrated its ability to adapt to market constraints i.e. less liquidity and more competition, by maintaining a more selective loan portfolio policy and constant emphasis on attracting new resources.

The results and financial ratios achieved show that the Bank's strategy was correct: prudent criteria in managing liquidity and attracting and retaining Customers' resources, combined with expansion of its retail network, consolidation of the business segmentation model and a focus on improving the quality of its banking services.

Total assets rose to 54,326 million meticais on the 31st of december 2010, compared to 48,275 million meticais on the 31st of december 2009 (a rise of 12.5%), supported by a rise in loans to companies and for consumption in the private segment.

On the 31st of december 2010 net loans and advances to Customers were 34,983 million meticais, 27% higher than the previous year.

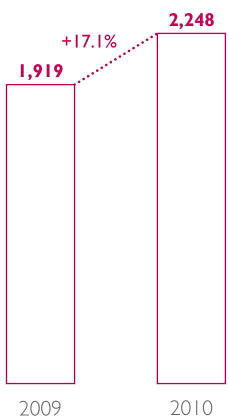
Deposits from Customers grew to 43,545 million meticais on the 31st of december 2010, an 11.4% rise compared to 39,096 million meticais on the 31st of december 2009.

Net income for the year rose 17% to 2,248 million meticais in 2010, compared to 1,919 million meticais in 2009. Growth in net income was influenced by growth in net operating revenue despite rising operating costs due to the ongoing branch expansion plan.

The aggregate value of equity was 5,705 million meticais excluding income for the year. Combined with growth in assets weighted according to their respective risk level this produced a solvency ratio of 15.1%.

Indicators on returns reflect the good results performance with returns on equity (ROE) of 32.1% and average returns on assets (ROA) of 4.4%.

NET INCOME
Million MZN



ANALYSIS OF PROFITABILITY

In 2010 the Bank's net income was 2,248 million meticais, 17.1% higher than the previous year. This performance was supported by growth in net operating revenue i.e. net interest income and gains from trading activity, partially offset by higher operating costs due in particular to the ongoing expansion plan and a rise in appropriations for loan impairment.

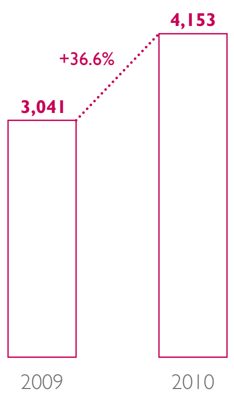
NET OPERATING REVENUE

Net operating revenue, that includes net interest income and other net income, was 6,560 million meticais, 30% higher than the previous year.

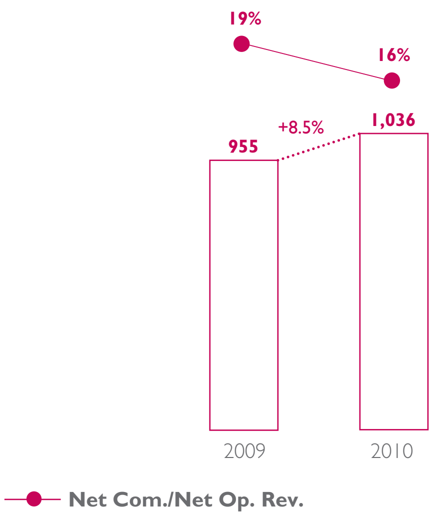
NET INTEREST INCOME

Compared to 2009 net interest income rose by 36.6% to 4,153 million meticais, driven by the positive effect of the volume of interest generating assets, in particular loans and investments in securities plus the effect of the environment throughout 2010 that saw progressively higher interest rates in the economy.

NET INTEREST INCOME
Million MZN



NET COMMISSIONS
Million MZN



The rise in net interest income was also due to a policy of carefully selecting the operations to be financed and work on revising price lists. This reflected the priority of attracting and retaining Customers by strengthening an attractive offer in order to keep the transformation rate at comfortable levels.

OTHER NET INCOME

Other net income includes dividends from equity instruments, net commissions, net gains from trading activity and other net operating income. On the 31st of december 2010 it totaled 2,407 million meticais compared to 2,008 million meticais for the same period in 2009.

DIVIDENDS FROM EQUITY INSTRUMENTS

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

NET COMMISSIONS

Net commissions were 1,036 million meticais, a rise of 8.5% compared to 955 million meticais in 2009. The rise in commissions reflected favorable developments in commissions related more directly to the banking business i.e. card, credit and guarantee business.

Intensified cross-selling, using the network in bancassurance operations, led to a rise of some 23%.

NET GAINS FROM TRADING ACTIVITY

On the 31st of december 2010 net gains from trading activity was 1,170 million meticais, compared to 839 million meticais for the same period in 2009. The rise was reflected in larger turnover and correct management of foreign exchange.

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, totaled 155.1 million meticais on the 31st of december 2010 compared to 116.5 million meticais for the same period in 2009. The results were strongly influenced by higher net income from the provision of various banking services.

OPERATING COSTS

Operating costs, which include staff costs, other administrative expenses and depreciation, totaled 2,934 million meticais, 26.1% higher than the previous year.

Million MZN

	'10	'09	VAR. %
Staff costs	1,351	1,040	29.9%
Other administrative expenses	1,344	1,074	25.1%
Depreciation	239	213	12.2%
	2,934	**2,327**	**26.1%**

The higher operating costs were due to the ongoing expansion of the branch and ATM network that grew from 117 branches in december 2009 to126 at the end of 2010.

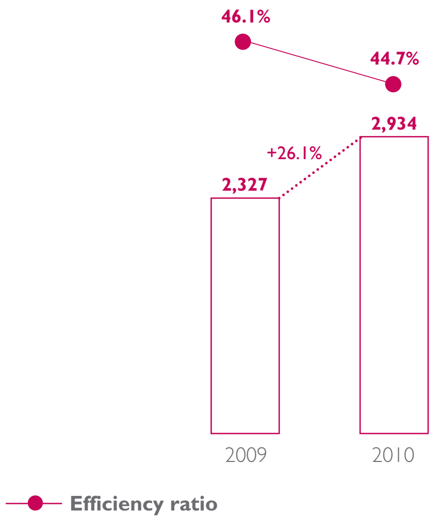
The 29.9% rise in staff costs compared to the previous year was due to a rise in the number of Employees from 1,805 to 1,950 following expansion of the branch network and improvements in central services and the commercial network. It also includes the impact of annual salary rises, the evolution of professional careers and salary adjustments arising from recognition of the merit of Employees.

Other administrative expenses rose by 25.1% due to the expansion of the branch network and the complete overhaul of some branches. It also reflects higher electricity and fuel costs, house rents, advertising and other third-party services, related to the sharp rise in the price of goods and services in the market. It should nevertheless be noted that a variety of initiatives have been taken to improve operating efficiency and these have resulted in a considerably improved efficiency ratio.

Amortization totaled 239 million meticais in 2010, a rise of 12.2% due to investments under the branch network expansion strategy.

The efficiency ratio (cost to income) at the end of 2010 was 44.7% reflecting a 1.4 p.p. Improvement over the previous year due to a substantial rise in net operating revenue (+ 29.9%) associated with growth of the business despite rising operating costs.

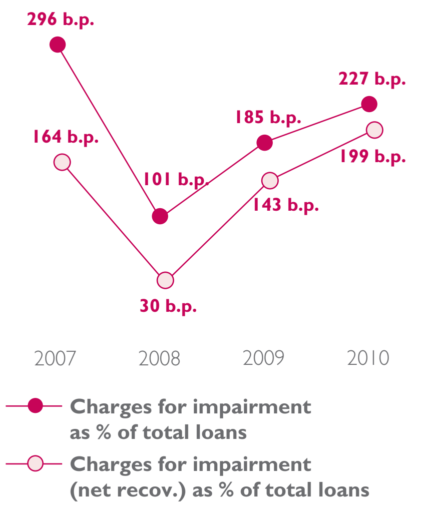
OPERATING COSTS
Million MZN



LOAN IMPAIRMENT AND OTHER IMPAIRMENT AND PROVISIONS

Loan impairment (net of recovery of written off loans) was 736 million meticais on the 31st of december 2010, compared to 413 million meticais for the same period in 2009. This was due to the effect of the current economic situation of market uncertainty and the negative impact of the international financial crisis on certain sectors of the economy, in particular scarce liquidity. This had a strong impact on the largest appropriations in the year in order to maintain a prudent provision policy and strengthen coverage of the loan portfolio with signs of impairment.

PROVISIONS EFFORT
Million MZN



The recovery of written off loans was 103 million meticais compared to 119 million meticais in the same period in 2009. It should be noted that over the last few years there has been an intense effort to recover written off loans and this has led to a gradual reduction in the amount of loans to be recovered.

ANALYSIS OF ASSET STRUCTURE

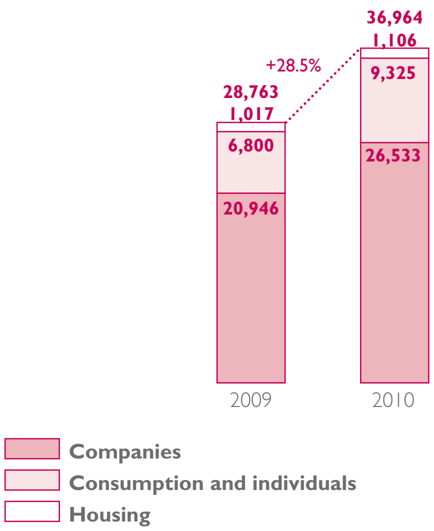
On the 31st of december 2010 total assets were 54,326 million meticais compared to 48,275 million meticais on the same date in 2009, a rise of 12.5%. This reflected increased of Customer business, in particular loans, and was partially offset by a reduction in financial assets available for sale.

The rise in total assets was also influenced by a 27.7% rise in deposits in credit institutions and a 64.1% rise in tangible and intangible assets. This reflects technological investment and investment under the branch and ATM expansion programme, and also the start of construction work on the Bank's new head office.

Million MZN

	'10	'09	VAR. %
Cash and deposits in CI	11,945	9,357	27.7%
Loans and advances to Customers	34,982	27,540	27.0%
Financial assets available for sale	4,547	9,339	-51.3%
Investments in subsidiary companies	356	356	0.0%
Tangible and intangible assets	2,225	1,356	64.1%
Other	270	326	-17.3%
	54,326	**48,275**	**12.5%**

LOANS AND ADVANCES TO CUSTOMERS (GROSS)
Million MZN



Gross loans and advances to Customers were 36,964 million meticais on the 31st of december 2010, 28.5% higher than the 28,763 million meticais on the 31st of december 2009. This reflects in particular a rise of 37.1% in consumer credit that totaled 9,325 million meticais at the end of december 2010.

Loans to companies rose by 26.7%, to 26,533 million meticais on the 31st of december 2010. This reflects the continued policy of prudence when selecting operations according to their risk and returns and less exposure to large concentrations.

The quality of the loan portfolio, assessed using default indicators i.e. overdue loans as a percentage of total loans, was 1.1%, and continues with relatively low default indicators despite the difficult economic environment in 2010, due to constant monitoring of the loan portfolio and rigorous assessment and selection when granting loans.

The ratio of overdue loans covered by provisions for impairment was 481.0% on the 31st of december 2010, compared to 419.9% on the same date in 2009, due to the prudent assessment of risks in the portfolio.

DEPOSITS FROM CUSTOMERS

Total deposits from Customers rose by 11.4% year-on-year, reaching 43,545 million meticais on the 31st of december 2010, compared to 39,096.3 million on the same date in 2009.

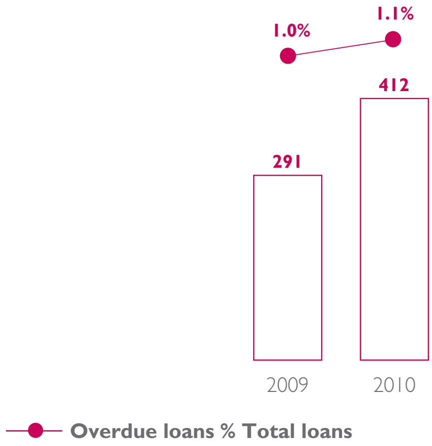
The growth in Customers' deposits, despite their using their funds to fully subscribe to the new 2010/2015 bond issue, is due to efforts by the commercial teams to attract and retain deposits, allied with a broad and diversified supply of new products and services.

CAPITAL

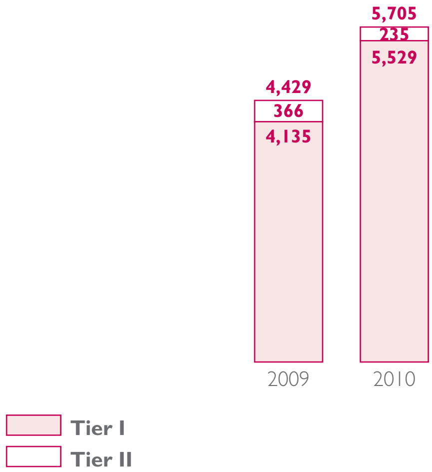
The capital ratios reported on the 31st of december 2010 were calculated according to Banco de Moçambique regulations. Total equity is the sum of Tier I and Tier II minus the relevant component in aggregate deductions.

On the 31st of december 2010 the solvency ratio was 15.1%, with Tier I at 14.6% considerably above the minimum 8% limit recommended by Banco de Moçambique.

CREDIT QUALITY
Million MZN



EQUITY
Million MZN



PROPOSAL ON THE APPLICATION OF PROFITS

Taking into consideration legal dispositions and Mozambican Law on the establishment of reserves, namely, Law 15/99 on Credit Institutions, it is proposed that profits of 2,247,809,860.34 meticais in 2010 be applied as follows:

		Meticais
Legal reserve	15.00%	337,171,479.05
Free reserve	32.50%	730,538,204.61
Dividend stabilization	2.50%	56,195,246.51
Distribution to Shareholders	50.00%	1,123,904,930.17

SOCIAL RESPONSIBILITY

Millennium bim sees its social function as a fundamental component of its mission. It sees social responsibility as the Bank's collection of duties and responsibilities to the community of which it is part with socially responsible, principled and consistent behavior towards all the parties involved – Customers, Shareholders, Employees and society itself.

In 2010 its Social Responsibility area was particularly active, with continuous and sustainable projects throughout the country in sports and infant-youth education, strengthening Millennium bim's role in social action and focusing on that which is really important and where it can make a difference.

The following are just some of Millennium bim's activities under its social responsibility program: **"Mais Moçambique pra Mim"**.

- **Quiduxo Nursery School** – support for the construction and equipment of the Quiduxo nursery school in Congolote neighborhood managed by the Community Association for Healthy Children;

- **Project of the Associação Moçambicana de Reciclagem (AMOR)** – implementation of a system for the selective collection of solid waste and the creation of purchasing centers for recyclable materials;

- **4th Year of "Uma Cidade Limpa pra Mim"** – a project involving 1,000 pupils from 21 primary and secondary schools in Maputo and Matola cities in cleaning various strategic areas in Maputo;

- **Millennium bim Banking Competition** – this is a pioneering project that involves schools throughout the country in training a new generation to be aware of the importance of money in the personal and social development of any country. The Bank's main objective is to teach banking concepts related to managing and valuing money;

- **5th Year of Millennium bim Mini Basketball Tournaments** – this is a sporting event intended to revitalize basketball for children, to develop basic values of friendship, camaraderie, discipline and team spirit. In 2010 the tournament took place in the following provinces: Maputo, Beira, Nampula, Zambézia and Tete with some 4,200 young participants;

- **Responsible Millennium bim** – this is a Millennium bim volunteer programme launched in the St.Roque Mission Orphanage in Matutuine. The purpose of the project is to enable Millennium bim Group Employees to participate in activities of social and community interest, helping to improve the quality of life and well-being of the community of which the Bank is part.

In its many Social Responsibility activities Millennium bim is becoming more and more engaged in respect for the law, in relations with Investors and Customers, in the observance of its own norms of conduct, in promoting the quality of its services, in its policy of valuing human resources and in supporting initiatives by society. Millennium bim is convinced that prosperity and true success are only achieved and achievable if conceived within a dimension that goes beyond the mere economic, always bearing in mind the sustainability of the whole socio-economic environment.

Millennium bim has been publishing reports on its Social Responsibility activities since 2007. The above summary is no substitute for reading the Sustainability Report itself, a document that provides detailed information on the Bank's activities in this important field.

FINANCIAL STATEMENTS

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INCOME STATEMENT

for the years ended 31st of december 2010 and 2009

		USD' 000		MZN' 000	
	Notes	'10	'09	'10	'09
Interest and similar income	2	172,513	152,773	5,881,108	4,246,452
Interest expenses and similar charges	2	44,480	36,197	1,516,364	1,006,122
Net interest income		**128,033**	**116,576**	**4,364,744**	**3,240,330**
Dividends from equity instruments	3	37	45	1,254	1,260
Net fees and commissions income	4	29,097	33,182	991,974	922,335
Net gains from trading activity	5	35,118	31,253	1,197,191	868,693
Other operating income	6	22,551	19,467	768,786	541,110
		86,803	**83,947**	**2,959,205**	**2,333,398**
Total operating income		**214,836**	**200,523**	**7,323,949**	**5,573,728**
Staff costs	7	39,794	38,020	1,356,618	1,056,792
Other administrative expenses	8	37,552	36,462	1,280,186	1,013,483
Depreciation	9	9,859	8,154	336,088	226,639
Total operating costs		**87,205**	**82,636**	**2,972,892**	**2,296,914**
Loans impairment	10	21,599	14,841	736,337	412,521
Other provisions	11	19,007	14,029	647,957	389,946
Income before income tax		**87,025**	**89,017**	**2,966,763**	**2,474,347**
Income tax					
Current	12	15,584	15,449	531,251	429,423
Deferred	12	123	682	4,194	18,953
		15,707	**16,131**	**535,445**	**448,376**
Profit after income tax		**71,318**	**72,886**	**2,431,318**	**2,025,971**
Consolidated net income for the year attributable to:					
Shareholders of the Bank		70,641	72,148	2,408,222	2,005,440
Minority interests		677	738	23,096	20,531
Net income for the year		**71,318**	**72,886**	**2,431,318**	**2,025,971**
Earnings per share	13	**4.71**	**4.81**	**160.55**	**133.70**

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED INTEGRAL INCOME STATEMENT

for the years ended 31st of december 2010 and 2009

MZN' 000

	Attributable to Shareholders of the Group	Attributable to minority interests	Total
2010			
Consolidated income	2,408,222	23,096	2,431,318
Revaluation reserves of financial assets available for sale:			
Revaluation of financial assets available for sale	367	40	407
Fiscal impact	(118)	(13)	(131)
Income not included in the consolidated income statement	249	27	276
Consolidated integral income	2,408,471	23,123	2,431,594
2009			
Consolidated income	2,005,440	20,531	2,025,971
Revaluation reserves of financial assets available for sale:			
Revaluation of financial assets available for sale:	836	94	930
Fiscal impact	(268)	(30)	(298)
Income not included in the consolidated income statement	568	64	632
Consolidated integral income	2,006,008	20,595	2,026,603

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED BALANCE SHEET

at the 31st of december 2010 and 2009

		USD' 000		MZN' 000	
	Notes	'10	'09	'10	'09
Assets					
Cash and deposits at Banco de Moçambique	14	167,012	153,529	5,441,249	4,481,524
Deposits in other credit institutions	15	8,718	11,227	284,022	327,728
Loans and advances to other credit institutions	16	190,915	155,811	6,220,026	4,548,135
Loans and advances to Customers	17	1,073,741	943,473	34,982,478	27,539,980
Financial assets available for sale	18	156,086	329,212	5,084,310	9,609,711
Investments in associate companies	19	6,467	-	210,700	-
Other tangible assets (property and equipment)	20	89,375	71,725	2,911,848	2,093,651
Goodwill and intangible assets	21	5,742	4,953	187,073	144,569
Current tax assets	22	67	-	2,184	-
Deferred tax assets	29	434	676	14,147	19,734
Other assets	23	14,550	16,711	474,009	487,752
Total assets		**1,713,107**	**1,687,317**	**55,812,046**	**49,252,784**
Liabilities					
Deposits from other credit institutions	24	5,978	55,224	194,758	1,611,991
Deposits from Customers	25	1,285,077	1,283,969	41,867,809	37,479,043
Debt securities issued	26	31,906	-	1,038,500	-
Provisions	27	93,335	84,101	3,040,850	2,454,897
Subordinated debt	28	-	9,770	-	285,177
Current tax liabilities	22	2,866	3,465	93,364	101,147
Deferred tax liabilities	29	457	553	14,885	16,147
Other liabilities	30	31,696	24,734	1,032,665	721,945
Total liabilities		**1,451,315**	**1,461,816**	**47,282,831**	**42,670,347**
Equity					
Share capital	31	46,040	51,387	1,500,000	1,500,000
Legal reserve	32	31,578	25,385	1,028,829	741,000
Other reserves and retained earnings	32	110,658	73,990	3,498,504	2,260,359
Net income for the year attributable to Shareholders	32	70,641	72,148	2,408,222	2,005,440
Total equity attributable to the Group		**258,917**	**222,910**	**8,435,555**	**6,506,799**
Minority interests		2,875	2,591	93,660	75,638
Total equity		**261,792**	**225,501**	**8,529,215**	**6,582,437**
Total equity and liabilities		**1,713,107**	**1,687,317**	**55,812,046**	**49,252,784**

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED CASH FLOWS STATEMENT

for the years ended 31st of december 2010 and 2009

MZN' 000

	'10	'09
Cash flows arising from operating activities		
Interest and commissions received	6,643,207	5,209,574
Interest and commissions paid	(1,485,261)	(1,061,129)
Payments to Employees and Suppliers	(2,499,580)	(1,976,655)
Recovery of loans written off	103,021	118,580
Net earned premiums	911,883	689,907
Insurance activity claims incurred	(387,233)	(165,799)
Operating income before changes in operating funds	**3,286,037**	**2,814,478**
(Increase)/decrease in operating assets		
Financial assets available for sale	4,765,487	(2,113,827)
Loans and advances in credit institutions	(1,350,744)	781,239
Deposits in central banks	(1,082,763)	(210,326)
Loans and advances to Customers	(7,886,309)	(10,812,923)
Other operating assets	(165)	(121,025)
Increase/(decrease) in operating liabilities		
Deposits from other credit institutions	(1,417,244)	1,421,188
Deposits from Customers and other loans	4,942,396	9,625,194
Liabilities represented by securities	1,000,000	-
Other operating liabilities	374,188	(70,757)
Net cash flows arising from operating activities before tax on profits	**2,630,883**	**1,313,241**
Tax on profits paid	(541,218)	(413,724)
Net cash flow of operating activities	**2,089,665**	**899,517**
Cash flows arising investing activities		
Dividends paid	(210,700)	-
Dividends received	1,254	1,260
Acquisition of fixed assets	(1,203,614)	(429,114)
Revenue from sale of fixed assets	6,825	-
Net cash flows arising from investment activities	**(1,406,235)**	**(427,854)**
Cash flows arising from financing activities		
Dividends paid	(484,816)	(438,825)
Supplementary contributions	-	(19,202)
Amortization of subordinated debt	(280,399)	22,805
Interest paid on financing activities	733	4,618
Net cash flows arising from financing activities	**(764,482)**	**(430,605)**
Effects of changes in exchange rates on cash and equivalent	(85,692)	-
Increase (decrease) in cash and equivalent	**(166,744)**	**41,059**
Cash and equivalent at the beginning of the year	2,154,724	2,113,665
Cash and equivalent at the end of the year	1,987,980	2,154,724
	(166,744)	**41,059**

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

BANCO INTERNACIONAL DE MOÇAMBIQUE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31st of december 2010 and 2009

MZN' 000

	Total equity	Capital	Legal reserve	Fair value reserve	Other reserves and retained earnings	Net income for the year	Minority interests
Balance on the 31st of december 2008	**5,028,626**	**741,000**	**535,702**	**370**	**1,838,816**	**1,846,477**	**66,261**
Transfers to other reserves and income carried over	-	-	-	-	1,202,354	(1,202,354)	-
Increase in share capital by incorporating reserves	-	759,000	-	-	(759,000)	-	-
Supplementary contributions	(19,202)	-	-	-	(19,202)	-	-
Transfers to legal reserve	-	-	205,298	-	-	(205,298)	-
Dividends paid in 2009	(450,043)	-	-	-	-	(438,825)	(11,218)
Other movements	(3,547)	-	-	-	(3,547)	-	-
Integral income in 2009	2,026,603	-	-	568	-	2,005,440	20,595
Balance on the 31st of december 2009	**6,582,437**	**1,500,000**	**741,000**	**938**	**2,259,421**	**2,005,440**	**75,638**
Increase in share capital by incorporating reserves	-	-	-	-	1,237,896	(1,237,896)	-
Transfer to other reserves and income carried over	-	-	-	-	-	-	-
Supplementary contributions	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	287,829	-	-	(287,829)	-
Dividends paid in 2010	(484,816)	-	-	-	-	(479,715)	(5,101)
Integral income in 2010	2,431,594	-	-	249	-	2,408,222	23,123
Balance on the 31st of december 2010	**8,529,215**	**1,500,000**	**1,028,829**	**1,187**	**3,497,317**	**2,408,222**	**93,660**

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

INCOME STATEMENT OF THE BANK

for the years ended 31st of december 2010 and 2009

	Notes	USD' 000 '10	USD' 000 '09	MZN' 000 '10	MZN' 000 '09
Interest and similar income	2	171,007	151,085	5,829,775	4,199,538
Interest expenses and similar charges	2	49,183	41,681	1,676,675	1,158,547
Net interest income		**121,824**	**109,404**	**4,153,100**	**3,040,991**
Dividends from equity instruments	3	1,339	3,479	45,635	96,696
Net fees and commissions income	4	30,387	34,364	1,035,911	955,163
Net gains from trading activity	5	34,326	30,195	1,170,206	839,293
Other operating income	6	4,551	4,191	155,133	116,488
		70,603	**72,229**	**2,406,885**	**2,007,640**
Total operating income		**192,427**	**181,633**	**6,559,985**	**5,048,631**
Staff costs	7	39,631	37,422	1,351,069	1,040,188
Other administrative expenses	8	39,434	38,647	1,344,341	1,074,215
Depreciation	9	6,997	7,647	238,545	212,560
Total operating costs		**86,062**	**83,716**	**2,933,955**	**2,326,963**
Loan impairment	10	21,599	14,841	736,337	412,521
Other provisions	11	6,603	1,469	225,107	40,827
Income before tax		**78,163**	**81,607**	**2,664,586**	**2,268,320**
Tax					
Current	12	12,062	11,989	411,190	333,240
Deferred	12	164	583	5,586	16,218
		12,226	**12,572**	**416,776**	**349,458**
Net income for the year		**65,937**	**69,035**	**2,247,810**	**1,918,862**
Earnings per share	13	**4.40**	**4.60**	**149.85**	**127.92**

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

INTEGRAL INCOME STATEMENT OF THE BANK

for the years ended 31st of december 2010 and 2009

MZN' 000

	'10	'09
Net income	2,247,810	1,918,862
Revaluation reserves of financial assets available for sale:		
Revaluation of financial assets available for sale	-	-
Fiscal impact	-	-
Income not included in income statement	-	-
Integral net income	2,247,810	1,918,862

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

BALANCE SHEET OF THE BANK

as at 31st of december 2010 and 2009

		USD' 000		MZN' 000	
	Notas	'10	'09	'10	'09
Assets					
Cash and deposits at Banco de Moçambique	14	167,012	153,529	5,441,249	4,481,524
Deposits in other credit institutions	15	8,718	11,227	284,022	327,728
Loans and advances to other credit institutions	16	190,915	155,811	6,220,025	4,548,135
Loans and advances to Customers	17	1,073,741	943,473	34,982,478	27,539,980
Financial assets available for sale	18	139,569	319,945	4,547,173	9,339,183
Investments in subsidiaries	19	10,931	12,201	356,148	356,148
Other tangible assets (property and equipment)	20	66,308	45,783	2,160,302	1,336,394
Intangible assets	21	1,988	677	64,760	19,749
Deferred taxes on assets	29	434	676	14,147	19,734
Other assets	23	7,847	10,494	255,670	306,391
Total assets		**1,667,463**	**1,653,816**	**54,325,974**	**48,274,966**
Liabilities					
Deposits from other credit institutions	24	5,978	55,224	194,758	1,611,991
Deposits from Customers	25	1,336,556	1,339,372	43,544,994	39,096,265
Debt securities issued	26	33,430	2,294	1,089,137	66,975
Provisions	27	11,794	6,366	384,249	185,831
Subordinated debt	28	8,065	18,749	262,747	547,297
Current taxes on liabilities	22	2,866	2,289	93,364	66,825
Other liabilities	30	28,022	21,381	912,950	624,101
Total liabilities		**1,426,711**	**1,445,675**	**46,482,199**	**42,199,285**
Equity					
Share capital	31	46,041	51,387	1,500,000	1,500,000
Legal reserve	32	31,579	25,385	1,028,829	741,000
Other reserves and retained earnings	32	97,195	62,334	3,067,136	1,915,819
Net income for the year attributable to Shareholders	32	65,937	69,035	2,247,810	1,918,862
Total equity		**240,752**	**208,141**	**7,843,775**	**6,075,681**
Total equity and liabilities		**1,667,463**	**1,653,816**	**54,325,974**	**48,274,966**

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

CASH FLOWS STATEMENT OF THE BANK

for the years ended 31st of december 2010 and 2009

MZN' 000

	'10	'09
Cash flows arising from operating activities		
Interest and commissions received	6,611,844	5,161,827
Interest and commissions paid	(1,578,160)	(1,187,935)
Payments to Employees and Suppliers	(2,581,263)	(2,011,944)
Recovery of loans written off	103,021	118,580
Operating income before changes in operating funds	**2,555,442**	**2,080,528**
(Increase)/decrease in operating assets		
Financial assets available for sale	5,020,723	(2,181,390)
Loans and advances to credit institutions	(1,350,744)	773,886
Deposits at central banks	(1,082,763)	(210,326)
Loans and advances to Customers	(7,886,309)	(10,820,275)
Other operating assets	28,168	(69,428)
Increase/(decrease) in operating liabilities		
Deposits from other credit institutions	(1,417,244)	1,421,188
Deposits from Customers and other loans	4,968,952	10,103,049
Liabilities represented by securities	1,000,000	-
Other operating liabilities	329,827	(43,727)
Net cash flows arising from operating activities before tax on profits	**2,166,052**	**1,053,505**
Tax on profits	(384,651)	(296,814)
Net cash flows arising from operating activities	**1,781,401**	**756,691**
Cash flows from investment activities		
Dividends received	45,472	96,696
Acquisition of fixed assets	(1,111,435)	(381,142)
Revenue from sale of fixed assets	3,972	-
Net cash flows arising from financing activities	**(1,061,991)**	**(284,446)**
Cash flow arising from financing activities		
Dividends paid	(479,716)	(438,826)
Supplementary payments	-	(19,202)
Amortization of subordinated debt	(280,399)	22,806
Interest paid on financing activities	(40,349)	4,036
Net cash flows arising from financing activities	**(800,464)**	**(431,186)**
Effects of exchange rate changes on cash and equivalent	(85,690)	-
Increase/(decrease) in cash and equivalent	**(166,744)**	**41,059**
Cash and equivalent at the beginning of the year	2,154,724	2,113,665
Cash and equivalent at the end of the year	1,987,980	2,154,724
	(166,744)	**41,059**

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

BIM – BANCO INTERNACIONAL DE MOÇAMBIQUE, S.A.

STATEMENT OF CHANGES IN EQUITY OF THE BANK

for the years ended 31st of december 2010 and 2009

MZN' 000

	Total equity	Capital	Legal reserve	Other reserves and retained earnings	Income for the year
Balance on the 31st of december 2008	**4,614,845**	**741,000**	**535,702**	**1,582,842**	**1,755,301**
Transfers to other reserves and income carried over	-	-	-	1,111,179	(1,111,179)
Increase in share capital by incorporating reserves	-	759,000	-	(759,000)	-
Supplementary contributions	(19,202)	-	-	(19,202)	-
Transfers to legal reserve	-	-	205,298	-	(205,298)
Dividends paid in 2009	(438,825)	-	-	-	(438,825)
Integral income	1,918,862	-	-	-	1,918,862
Balance on the 31st of december 2009	**6,075,681**	**1,500,000**	**741,000**	**1,915,819**	**1,918,862**
Transfers to other reserves and income carried over	-	-	-	1,151,317	(1,151,317)
Increase in share capital by incorporating reserves	-	-	-	-	-
Supplementary contributions	-	-	-	-	-
Transfers to legal reserve	-	-	287,829	-	(287,829)
Dividends paid in 2010	(479,716)	-	-	-	(479,716)
Integral income	2,247,810	-	-	-	2,247,810
Balance on the 31st of december 2010	**7,843,775**	**1,500,000**	**1,028,829**	**3,067,136**	**2,247,810**

To be read with the attachments to the financial statements.

BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st of december 2010

BANCO INTERNACIONAL DE MOÇAMBIQUE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st of december 2010

1. ACCOUNTING POLICIES

A) BASIS OF PRESENTATION

BIM – Banco Internacional de Moçambique, S.A. ("the Bank", or "BIM"), previously named BCM – Banco Comercial de Moçambique, S.A.R.L. is a private bank established in 1992 with its head office in Maputo. These financial statements reflect the results of its operations for the year ended 31st of december 2010.

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

On the 31st of december 2009 BIM – Banco Internacional de Moçambique, S.A. had a controlling interest in Seguradora Internacional de Moçambique, S.A., holding 89.91% of its capital. The accounts of the Group (Bank and insurance company) are presented on a consolidated basis in this report.

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

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

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

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

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

The estimates and related assumptions are based on past experience and other factors considered reasonable under the circumstances. They provide the basis for judgments on the value of assets and liabilities that are not evident through other sources. Actual results can differ from estimates.

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

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

B) BASIS OF CONSOLIDATION

The Group's accounts have been consolidated in Banco Comercial Portugues. S.A. (BCP) using the integral method.

(i) Investments in subsidiaries

Investments in subsidiary companies where the Group has control are consolidated using the integral consolidation method from the date the Group took control of their financial and operational activities up to the moment when this control ceases.

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

The consolidated financial statements as at the 31st of december 2010 reflect the assets, liabilities and net income of BIM – Banco Internacional de Moçambique, S.A. and its subsidiary company Seguradora Internacional de Moçambique, S.A. that are consolidated using the integral method, in accordance with INRS requirements.

(ii) Investments in associate companies

Investments in associate companies are consolidated using the equity method from the date the Group acquires substantial influence until the moment when that ends. Associate companies are entities over which the Group has substantial influence but does not control their financial and operational policy. It is assumed that the Group has substantial influence when it has the power to exercise over 20% of the associate company's voting rights.

Even when voting rights are less than 20% the Group can exert substantial influence by participating in the management or in the composition of the Board of Directors with executive powers.

(iii) Differences in consolidation and revaluation – Goodwill

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

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

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

Since the transition to IFRS on the 1st of january 2006, the positive goodwill arising from acquisitions has been recognized as an asset, recorded at the acquisition cost, and is not subject to amortization.

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

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

(iv) Transactions eliminated on consolidation

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

C) LOANS AND ADVANCES TO CUSTOMERS

The item loans and advances to Customers includes loans originated by the Bank that are not intended to be sold in the short-term. They are recorded on the date the funds are provided to Customers.

Derecognition of these assets in the balance sheet occurs in the following situations: (i) when the Bank's contractual rights expire; or (ii) the Bank has transferred substantially all risks and benefits associated with these loans.

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

The accounting elimination of loans takes place when, from an economic perspective, there is no realistic prospect of recovering the loans. For collateralized loans it takes place when the funds from the sale of the collateral have been received, using impairment losses when these are 100% of the value of loans considered unrecoverable.

Impairment

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

Impairment losses are charged against income. These losses subsequently revert to income if the estimated loss is reduced in a subsequent period.

After initial recognition, a Customer's loan or loan portfolio, defined as a group of loans with similar risk characteristics, may be classified as with impairment when there is objective evidence of impairment arising from one or more events, and when these have an impact on the estimated future cash flow of the loan or loan portfolio that can be reliably estimated.

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

(i) Individual assessment

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

When determining individual impairment losses the following factors are considered:

- The total exposure of each Customer to the Bank and the existence of overdue loans;
- The economic and financial viability of the Customer's business and its ability to generate sufficient resources to meet his/her future debt obligations;
- The existence, nature and estimated value of the collateral associated with each loan;
- Significant downgrading of the Customer's rating;
- The Customer's available assets in liquidation or bankruptcy situations;
- The existence of privileged creditors;
- The estimated amount and recovery period.

Impairment losses are calculated by comparing the present value of the expected future cash flows discounted at the original effective interest rate of each contract and the book value of each loan, with losses charged against income.

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

For loans with a variable interest rate, the discount rate used is the effective annual interest rate applicable during the period when impairment was determined.

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

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

(ii) Collective assessment
Collective impairment losses can be calculated using two different approaches:

- For homogeneous groups of loans that are not considered to be individually significant (parametric analysis); or

- For losses incurred but not yet recognized (IBNR) on loans where there is no objective evidence of impairment.

The calculation of collective impairment losses considers the following aspects:

- Past experience of losses in portfolios with similar risk characteristics;

- Knowledge of the economic environment and its influence on the level of past losses; and

- The estimated period between the actual loss and its recognition.

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

Loans that have been assessed individually and where no objective evidence of impairment has been found are grouped according to their similar risk characteristics in order to determine collective impairment losses. This analysis enables the Bank to recognize individual losses that will only be identified individually in the future.

D) FINANCIAL INSTRUMENTS

(i) Classification, initial recognition and subsequent measurement

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

2) Financial assets held until maturity
This category comprises financial assets, other than derivatives, with fixed or determinable payments and fixed maturities that the Group intends and is able to maintain until maturity, and that have not been included in either the financial assets at fair value through income category or financial assets available for sale. These financial assets are recognized at fair value at the moment they are first recognized and are subsequently measured at amortized cost. Impairment losses are recognized in Income.

Any reclassification or sale of the recognized financial assets in this category that are not sold close to the maturity date obliges the Group to undertake a total reclassification of this portfolio as financial assets available for sale. For a period of two years the Group will not be able to classify any financial asset in this category. The Bank and the Group currently have no financial instruments classified as the held-to-maturity type.

3) Financial assets available for sale

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

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

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

4) Other financial liabilities

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

The Bank and the Group currently have no instruments classified in this category.

(ii) Impairment of financial instruments

The existence of objective evidence of impairment, i.e. any negative impact on the estimated future cash flow of a financial asset that can be measured reliably on the basis of a sharp or prolonged decline in the asset's fair value below the acquisition cost, is assessed on the date of each balance sheet.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and fair value, excluding impairment losses previously charged against income) is removed from the fair value reserves and recognized in the income statement. Should the fair value of debt instruments classified as available for sale subsequently rise, and this rise can be objectively related to an event that occurred after the impairment loss was recognized in the income statement, the impairment loss is reversed through income.

When reversed, impairment losses recognized in capital instruments classified as available for sale are charged against fair value reserves.

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

(iii) Recognition date

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

Loans held until maturity and originated loans and debtors are recognized on the day the money is disbursed to the Customer.

(iv) Principles for measuring fair value

The fair value of financial instruments is based on their market price on the date of the balance sheet, with no deduction of transaction costs.

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

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

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

(v) Derecognition
The Bank and the Group derecognize financial assets when all rights to future cash flows expire. When assets are transferred, derecognition can only occur when substantially all risks and benefits of the assets have been transferred or the Group does not retain any control over them.

The Bank and the Group derecognize financial liabilities when they are cancelled or extinguished.

E) TRANSACTIONS WITH A REPURCHASE AND RESALE AGREEMENT

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

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

Investments sold through repurchase agreements continue to be recognized in the balance sheet and are revalued in accordance with the accounting policy on other assets available for sale. Revenue from the sale of investments is presented in the item deposits from Customers or deposits from other credit institutions.

The difference between purchase (sale) and resale (repurchase) conditions is the time frame of the transaction period and is recorded in interest and income or equivalent costs.

F) RECOGNITION OF INTEREST

Income from interest on asset and liability financial instruments measured at amortized cost is recognized in the items interest and equivalent income or interest and equivalent costs using the effective interest rate method.

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

G) RECOGNITION OF INCOME FROM SERVICES AND COMMISSIONS

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

- When they are received as the services are provided, they are recognized in income for the period to which they refer;

- When they are the result of services provided they are recognized when that service has terminated.

When income from services and commissions are an integral part of the effective interest rate of a financial instrument, they are recorded in net interest income.

H) NET GAINS FROM TRADING ACTIVITY

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

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

I) OTHER TANGIBLE ASSETS (PROPERTY AND EQUIPMENT)

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

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

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

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the sale value and the difference, if it exists, is recognized in income.

Depreciation is calculated using the constant quota method, with the following expected useful life:

	Number of years
Buildings	50
Work on buildings of others(*)	10
Equipment	4 to 10
Other fixed assets	3

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

J) INTANGIBLE ASSETS

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

Depreciation is recorded in the income account using the constant quota criterion for the estimated useful life of intangible assets.

Software

The Group recognizes as intangible assets the costs associated with software acquired from third parties and applies linear depreciation for an estimated useful life of 3 years. The Group does not capitalize internal costs arising from software development.

K) ASSETS ARISING FROM RECOVERED LOANS

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

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

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

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

L) CASH AND CASH EQUIVALENTS

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

Cash and cash equivalent are excluded from mandatory deposits with Banco de Moçambique.

M) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted to the functional currency at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are converted to the functional currency at the exchange rate on the date of the balance sheet. Foreign exchange differences arising from conversion are recognized in income. Non-monetary assets and liabilities denominated in foreign currency and recorded at their historical cost are converted at the exchange rate on the date of the transaction.

Non-monetary assets and liabilities recorded at fair value are converted to the functional currency at the exchange rate on the date the fair value is determined and charged against income, except for those recognized in financial assets available for sale, when the difference is charged against equity.

N) EMPLOYEE BENEFITS

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

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

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

Costs arising from early retirement and the corresponding actuarial gains and losses are charged against income in the year the early retirement is approved and communicated, in accordance with IAS 37.

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

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

O) INCOME TAX

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

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

Taxes on profits recorded in income include the effect of current and deferred taxes.

The tax is recognized in the income statement, except for items in equity movements. This means that it is recognized in equity (i.e. assets available for sale).

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

Using the liability based on the balance sheet method, deferred taxes are calculated on cumulative fiscal losses and temporary differences between the book value of assets and liabilities and their fiscal base, using the approved or substantially approved tax rates on the date of the balance sheet and that are expected to be applied when the temporary differences are reversed.

Deferred tax assets are recognized when there is a probability of future taxable profits absorbing temporary deductible differences for fiscal purposes (including reportable fiscal losses).

P) SEGMENTAL REPORTING

A business segment is a distinctive component of the Group that provides an individual product or service or a set of related products or services and that is subject to risks and returns that are different to those of other business segments

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

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

Q) PROVISIONS

Provisions are recognized when (i) the Group has a current legal or constructive obligation, (ii) it is probable that this payment will be demanded, and (iii) it is possible to calculate a reliable estimate of this obligation.

Provisions are revised at the end of each reporting date and adjusted to reflect the best estimate. They revert to income in proportion to the payments considered unlikely.

R) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income attributable to the Bank's Shareholders by the average number of ordinary shares issued.

S) INSURANCE CONTRACTS

The Group issues contracts that include insurance risk, financial risk or a combination of insurance and financial risks. A contract where the Group takes on a substantial insurance risk from another party and agrees to compensate the insured party in the event of a specific, uncertain future occurrence adversely affecting that insured party, is classified as an insurance contract.

A contract issued by the Group that does not have a significant transferred insurance risk, but where the transferred financial risk is significant with participation in discretionary income, is considered an investment contract. It is recognized and measured in accordance with the accounting policies applicable to insurance policies.

A contract issued by the Group that only transfers financial risk, without any participation in discretionary income, is recorded as a financial instrument.

Insurance contracts and investment contracts with participation in results are recognized and measured as follows:

Premiums

Gross premiums issued are recorded as income during the year to which they refer, irrespective of the moment they are paid or received, using the accrual accounting principle.

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

Provision for unearned premiums from direct insurance and assigned reinsurance

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

T) ACCOUNTING ESTIMATES IN THE APPLICATION OF ACCOUNTING POLICIES

The IFRS have established a set of accounting applications that require the Executive Committee (executive members of the Board of Directors) to use their judgment and make the necessary estimates in order to decide on the most appropriate accounting application.

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

Given that in some situations accounting norms allow for an alternative treatment to the one adopted, the results reported by the Bank and Group could be different if another type of treatment were to be chosen. The Executive Committee considers that the criteria adopted are appropriate and that the financial statements provide an appropriate presentation of the financial position of the Bank and the Group and their operations in all materially relevant aspects.

The results of the alternatives analyzed below are presented merely to help the reader understand the financial statements and are not intended to suggest that other alternatives or estimates are more appropriate.

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

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

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

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

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

When assessing the need to record losses due to a fall in the recoverable value of loans, the Management takes into account factors such as the quality of the loan, the size of the portfolio, concentration and economic factors. In order to estimate the value of these losses, assumptions are made in order to define how the inherent losses are to be modeled, and to determine the required input parameters based on past experience and current economic conditions.

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

(ii) Determining fair value

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

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

2. NET INTEREST INCOME

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Interest and similar income				
Interest on loans and advances	5,183,461	3,050,211	5,183,462	3,050,211
Interest on deposits and other investments	78,328	88,249	78,328	88,243
Interest on securities available for sale	619,319	1,107,992	567,985	1,061,084
	5,881,108	**4,246,452**	**5,829,775**	**4,199,538**
Interest and similar charges				
Interest on deposits and other resources	1,467,889	984,702	1,591,537	1,103,208
Interest on securities issued	44,596	19,622	81,259	53,541
Other charges and similar interest	3,879	1,798	3,879	1,798
	1,516,364	**1,006,122**	**1,676,675**	**1,158,547**
Net interest income	**4,364,744**	**3,240,330**	**4,153,100**	**3,040,991**

3. DIVIDENDS FROM EQUITY INSTRUMENTS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Dividends from investments in subsidiaries	-	-	45,635	96,696
Dividends from securities available for sale	1,254	1,260	-	-
	1,254	**1,260**	**45,635**	**96,696**

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

4. NET FEES AND COMMISSIONS INCOME

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Fees and commissions income				
From guarantees	245,285	210,796	245,285	210,796
From banking services	452,871	435,900	492,631	469,053
From insurance activity	31,901	28,658	-	-
Other commissions	379,396	319,457	379,396	319,456
	1,109,453	**994,811**	**1,117,312**	**999,305**
Fees and commissions expenses				
From guarantees	14,144	2,598	14,144	2,598
From banking services	128	149	128	149
From insurance activity	36,078	28,333	-	-
Other commissions	67,129	41,396	67,129	41,395
	117,479	**72,476**	**81,401**	**44,142**
Net fees and commissions income	**991,974**	**922,335**	**1,035,911**	**955,163**

5. NET GAINS FROM TRADING ACTIVITY

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Gains from trading activity				
Foreign exchange operations	1,168,307	903,582	1,168,305	839,294
Other operations	112,962	6	1,901	6
	1,281,269	**903,588**	**1,170,206**	**839,300**
Losses from trading activity				
Foreign exchange operations	84,078	34,895	-	7
Other operations	-	-	-	-
	84,078	**34,895**	**-**	**7**
	1,197,191	**868,693**	**1,170,206**	**839,293**

6. OTHER OPERATING INCOME

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Other operating income				
Income from real estate	11,781	9,820	2,983	889
Income from services	28,571	17,441	28,571	17,441
Reimbursement of expenditure	123,633	112,300	124,506	112,300
Insurance premiums	911,883	689,907	-	-
Other operating income	157,338	45,215	26,411	16,874
	1,233,206	**874,683**	**182,471**	**147,504**
Other operating costs				
Taxes	9,557	14,797	8,804	13,514
Donations and membership fees	10,494	12,521	10,494	12,521
Insurance claims	387,233	279,423	-	-
Other operating costs	57,136	26,832	8,040	4,981
	464,420	**333,573**	**27,338**	**31,016**
	768,786	**541,110**	**155,133**	**116,488**

The item Insurance Claims includes net appropriations for the year for provisions for direct insurance claims (see note 27) net of assigned reinsurance (see Note 23).

7. STAFF COSTS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Remuneration	1,276,795	991,458	1,179,468	917,400
Mandatory social security charges	47,231	42,850	37,331	32,572
Facultative social security charges	24,515	16,621	129,582	86,309
Other costs	8,077	5,863	4,688	3,907
	1,356,618	**1,056,792**	**1,351,069**	**1,040,188**

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Board and Management	147	137	129	119
Specific/Technical	816	762	715	662
Other functions	1,057	938	1,042	926
	2,020	**1,837**	**1,886**	**1,707**

The total remuneration paid by the Group and the Bank to Management and Inspection Boards and other corporate and inspection bodies in the year ended 31st of december 2010, recorded in the item remuneration was 63,472 thousand meticais and 59,485 thousand meticais, respectively (2009: 52,136 thousand meticais and 48,883 thousand meticais).

8. OTHER ADMINISTRATIVE EXPENSES

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Water, electricity and fuel	56,208	47,994	52,939	45,409
Consumables	110,458	86,904	107,141	84,393
Renting and hiring	55,835	42,425	133,193	120,627
Communications	84,634	83,337	77,819	76,650
Travel, per diem and representation	54,016	48,591	51,719	45,070
Advertising	83,945	57,535	79,664	52,955
Outsourcing services	58,880	44,642	32,588	27,982
Maintenance and repair	101,438	82,364	95,667	77,499
Insurance	6,738	6,944	49,070	33,922
Legal, litigation and notary services	4,475	1,665	4,463	1,561
IT and consulting	505,927	380,147	504,124	378,457
Security and surveillance	46,879	38,062	45,201	36,817
Cleaning premises	20,093	19,042	20,093	19,042
Transporting cash	48,343	44,997	48,343	44,997
Staff training	30,716	26,072	30,716	26,072
Other suppliers and services	11,601	2,762	11,601	2,762
	1,280,186	**1,013,483**	**1,344,341**	**1,074,215**

9. DEPRECIATION

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Intangible assets				
Software	7,414	8,764	7,414	6,511
Tangible assets				
Real estate	134,120	52,120	45,504	46,250
Equipment	194,554	165,722	185,627	159,766
Furniture	12,087	10,687	11,553	9,978
Machines	8,549	7,968	8,406	7,836
IT equipment	98,090	79,776	93,868	78,510
Fixtures and Fittings	20,833	19,367	20,833	19,367
Vehicles	39,170	34,464	35,459	30,953
Security equipment	13,888	11,329	13,888	11,329
Other equipment	1,937	2,131	1,620	1,793
Other tangible assets	-	33	-	33
	328,674	**217,875**	**231,131**	**206,049**
	336,088	**226,639**	**238,545**	**212,560**

10. LOAN IMPAIRMENT

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Loans and advances to Customers				
Impairment for the year	839,358	531,101	839,358	531,101
Recovery of loans and interest charged off	(103,021)	(118,580)	(103,021)	(118,580)
	736,337	**412,521**	**736,337**	**412,521**

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

11. OTHER PROVISIONS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Provisions for indirect credit risk				
Charge for the year	249,649	50,513	249,649	50,513
Reversal for the year	(38,877)	(22,110)	(38,877)	(22,110)
Provisions for general banking risks				
Charge for the year	560	-	560	-
Reversal for the year	(1,000)	(904)	-	(904)
Other provisions for risk and charges				
Charge for the year	9,647	14,372	9,647	14,372
Reversal for the year	(4,832)	-	(4,832)	-
Technical insurance provisions				
Charge for the year	419,788	354,694	-	-
Reversal for the year	-	-	-	-
Provisions for other assets				
Charge for the year	13,022	-	8,960	-
Reversal for the year	-	(6,619)	-	(1,044)
	647,957	**389,946**	**225,107**	**40,827**

12. INCOME TAXES

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Current tax	531,251	429,423	411,190	333,240
Deferred Tax				
Tangible assets	(8,147)	2,485	(8,147)	2,485
Impairment losses	4,016	4,016	4,016	4,016
Retirement pensions	9,718	9,717	9,718	9,717
Other	(1,393)	2,735	-	-
	4,194	**18,953**	**5,586**	**16,218**
Total tax cost	**535,445**	**448,376**	**416,776**	**349,458**
Reconciliation of effective tax costs				
Income before tax	2,966,763	2,474,347	2,664,587	2,268,320
Current taxes	545,460	458,441	426,334	362,931
Tax adjustments:				
Impact of non-deductible expenditure	3,870	3,294	3,103	2,690
Impact of non-deductible costs	10,971	3,429	10,803	3,360
Tax paid on Treasury Bills–flat rate	1,305	-	1,305	-
Tax exempt or non-taxable revenue	(1,420)	-	(1,420)	-
Amortization of unaccepted costs	(1,361)	-	1,361)	-
Amortization of deferred costs	(13,733)	(16,218)	(13,733)	(16,218)
Tax cost	(13,841)	(19,523)	(13,841)	(19,523)
Fiscal benefits	**531,251**	**429,423**	**411,190**	**333,240**

Under the customs and fiscal benefits contemplated in the *Código dos Benefícios Fiscais em Moçambique* – CBFM (Code on Fiscal Benefits in Mozambique) approved by Decree 12/93 of the 21st of july the Bank benefits from a 50% reduction in the tax on final profits for distribution to Shareholders during the recovery period of investments effectively carried out. According to the Investment Project Authorization this period cannot exceed ten years from the 1st of january 2004.

13. EARNINGS PER SHARE

MZN

	Group		Bank	
	'10	'09	'10	'09
Net income	2,408,222,067	2,005,439,979	2,247,809,860	1,918,862,056
Number of shares	15,000,000	15,000,000	15,000,000	15,000,000
Earnings per share	**160.55**	**133.70**	**149.85**	**127.92**

14. CASH AND DEPOSITS AT BANCO DE MOÇAMBIQUE

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Cash	1,703,958	1,826,996	1,703,958	1,826,996
Banco de Moçambique	3,737,291	2,654,528	3,737,291	2,654,528
	5,441,249	**4,481,524**	**5,441,249**	**4,481,524**

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

According to Banco de Moçambique Notice 02/GBM/2010 the cash reserve system requires deposits at Banco de Moçambique equivalent to 8.75% of average daily deposits and other obligations.

According to Banco de Moçambique Notice 06/GBM/2009, in 2009 the cash reserve system requires deposits at the Central Bank equivalent to 8% of average daily deposits and other obligations at the end of each period for the establishment of reserves.

15. DEPOSITS IN OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Deposits in credit institutions in Mozambique	28,946	59,150	28,946	59,150
Deposits in credit institutions abroad	255,076	268,578	255,076	268,578
	284,022	**327,728**	**284,022**	**327,728**

The item Deposits in credit institutions in Mozambique includes 7,778 thousand meticais in amounts payable to the Bank and the Group that are essentially cheques due for collection by third parties on other credit institutions on the 31st of december 2010.

16. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Loans and advances to credit institutions in Mozambique	585,087	-	585,086	-
Loans and advances to credit institutions abroad	5,634,939	4,548,135	5,634,939	4,548,135
	6,220,026	**4,548,135**	**6,220,025**	**4,548,135**

17. LOANS AND ADVANCES TO CUSTOMERS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Loans and advances with tangible guarantees	10,725,404	7,043,859	10,725,404	7,043,859
Loans and advances with other guarantees	15,126,172	14,596,590	15,126,172	14,596,590
Unsecured loans	3,677,226	3,293,864	3,677,226	3,293,864
Loans and advances to the public sector	3,152,651	217,606	3,152,651	217,606
Financial leases	3,453,456	2,887,274	3,453,456	2,887,274
Factoring transactions	417,387	432,325	417,387	432,325
	36,552,296	**28,471,518**	**36,552,296**	**28,471,518**
Overdue loans – less than 90 days	63,876	43,824	63,876	43,824
Overdue loans – over 90 days	348,191	247,369	348,191	247,369
	36,964,363	**28,762,712**	**36,964,363**	**28,762,712**
Impairment for credit risk	(1,981,885)	(1,222,731)	(1,981,885)	(1,222,731)
	34,982,478	**27,539,980**	**34,982,478**	**27,539,980**

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Short-term				
Discounted bills	192,255	636,276	192,255	636,276
Current account loans	4,230,796	3,396,195	4,230,796	3,396,195
Overdrafts	2,509,814	1,729,699	2,509,814	1,729,699
Loans	2,534,856	5,272,532	2,534,856	5,272,532
Factoring transactions	417,387	432,325	417,387	432,325
	9,885,108	**11,467,027**	**9,885,108**	**11,467,027**
Medium and long-term				
Discounted bills				
Loans	22,139,235	13,100,262	22,139,235	13,100,262
Mortgages	1,104,332	1,010,621	1,104,332	1,010,621
Financial leases	3,423,621	2,893,608	3,423,621	2,893,608
	26,667,188	**17,004,491**	**26,667,188**	**17,004,491**
Overdue loans – less than 90 days	63,876	43,824	63,876	43,824
Overdue loans – over 90 days	348,191	247,369	348,191	247,369
	412,067	**291,193**	**412,067**	**291,193**
Impairment for credit risk	(1,981,885)	(1,222,731)	(1,981,885)	(1,222,731)
	34,982,478	**27,539,980**	**34,982,478**	**27,539,980**

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Agriculture and forests	1,765,211	1,768,907	1,765,211	1,768,907
Extractive industries	24,068	21,973	24,068	21,973
Food, beverages and tobacco	1,526,911	1,243,171	1,526,911	1,243,171
Textiles	2,925	3,655	2,925	3,655
Paper, printing and publishing	47,917	46,124	47,917	46,124
Chemicals	211,968	472,067	211,968	472,067
Machinery and equipment	623,567	531,209	623,567	531,209
Electricity, water and gas	180,867	203,806	180,867	203,806
Construction	2,922,923	2,599,156	2,922,923	2,599,156
Commerce	5,075,193	6,945,058	5,075,193	6,945,058
Restaurants and hotels	1,193,792	827,074	1,193,792	827,074
Transport and communications	3,698,799	2,226,733	3,698,799	2,226,733
Services	4,680,161	2,927,895	4,680,161	2,927,895
Consumer credit	9,339,363	6,798,834	9,339,363	6,798,834
Mortgages	1,105,261	1,010,621	1,105,261	1,010,621
Mozambican state	3,152,825	217,606	3,152,825	217,606
Other activities	1,412,612	918,822	1,412,612	918,822
	36,964,363	**28,762,711**	**36,964,363**	**28,762,711**
Impairment for credit risk	(1,981,885)	(1,222,731)	(1,981,885)	(1,222,731)
	34,982,478	**27,539,980**	**34,982,478**	**27,539,980**

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

MZN' 000

	'10	'09
Agriculture and forests	157,088	85,108
Extractive industries	-	-
Food, beverages and tobacco	2,012	30,416
Paper, printing and publishing	9,946	10,238
Chemicals	8,318	-
Machinery and equipment	7,992	18,157
Electricity, water and gas	-	-
Construction	18,067	2,251
Commerce	938,762	28,815
Restaurants and hotels	5,776	49
Transport and communications	1,407	1,802
Services	505,271	3,794
Consumer credit	90,985	80,318
Other activities	8,505	9,246
	1,754,128	**270,194**

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

MZN' 000

	'10	'09
Loans and advances with tangible guarantee	19,798	6,311
Loans and advances with other guarantees	178,134	118,614
Unsecured loans	126,008	110,941
Loans and advances to the public sector	174	126
Financial leases	70,018	52,059
Factoring transactions	17,935	3,142
	412,067	**291,193**

The analysis of overdue loans by sector is as follows:

MZN' 000

	'10	'09
Agriculture and forests	8,376	10,444
Extractive industries	16	6
Food, beverages and tobacco	170	1,333
Textiles	41	-
Paper, printing and publishing	319	2,270
Chemicals	29	17
Machinery and equipment	1,752	778
Electricity, water and gas	4,188	2,190
Construction	47,347	42,945
Commerce	14,457	12,426
Restaurants and hotels	2,197	195
Transport and communications	6,883	843
Services	46,929	38,544
Consumer credit	272,812	173,446
Mortgages	3,821	2,878
Other activities	2,730	2,878
	412,067	**291,193**

Impairment movements for credit risk are analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	1,222,731	782,999	1,222,731	782,999
Impairment for the year	839,358	531,101	839,358	531,101
Transfers	5,572	(19,577)	5,572	(19,577)
Use of impairment	(111,972)	(99,713)	(111,972)	(99,713)
Exchange rate differences	26,196	27,921	26,196	27,921
Balance on the 31st of december	**1,981,885**	**1,222,731**	**1,981,885**	**1,222,731**

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

MZN' 000

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

The following table shows impairment for credit risk by category of overdue loans on the 31st of december 2009:

MZN' 000

	Categories of overdue loans			
	Up to 6 months	6 months to 1 year	Over 1 year	Total
Secured overdue loans	50,003	61,259	68,990	180,252
Impairment	24,540	42,689	41,657	108,886
Unsecured overdue loans	29,369	43,116	38,456	110,941
Impairment	14,492	27,764	23,859	66,115
Total overdue loans	**79,372**	**104,375**	**107,446**	**291,193**
Total impairment for overdue loans	39,032	70,453	65,516	175,001
Total impairment for loans falling due with overdue and other loans				1,047,730
Total impairment for credit risk				**1,222,731**

The analysis of impairment by sector is as follows:

MZN' 000

	'10	'09
Agriculture and forests	138,064	159,315
Extractive industries	2,750	2,277
Food, beverages and tobacco	49,854	37,729
Textiles	117	73
Paper, printing and publishing	8,949	8,788
Chemicals	4,289	9,444
Machinery and equipment	16,214	13,943
Electricity, water and gas	10,164	12,681
Construction	154,120	128,620
Commerce	389,365	177,816
Restaurants and hotels	27,182	16,622
Transport and communications	93,236	57,786
Services	228,060	114,046
Consumer credit	683,561	397,002
Mortgages	52,614	41,350
Other activities	123,346	45,239
	1,981,885	**1,222,731**

Impairment by type of loan is analyzed as follows:

MZN' 000

	'10	'09
Loans and advances with tangible guarantees	488,951	74,571
Loans and advances with other guarantees	869,996	772,079
Unsecured loans	268,103	142,794
Loans and advances to the public sector	62,715	53,027
Financial leases	251,484	168,742
Factoring transactions	40,636	11,518
	1,981,885	**1,222,731**

The analysis of loans charged-off by sector is as follows:

MZN' 000

	'10	'09
Agriculture and forests	1,448	25,408
Extractive industries	-	-
Food beverages and tobacco	-	305
Textiles	-	-
Paper, printing and publishing	-	-
Chemicals	-	-
Electricity, water and gas	-	6,133
Construction	10,304	1,351
Commerce	1,042	47,908
Restaurants and hotels	-	140
Transport and communications	306	-
Services	12,613	194
Consumer credit	86,259	18,274
Mortgages	-	-
Other activities	-	-
	111,972	**99,713**

The analysis of loans charged-off by type of loan is as follows:

MZN' 000

	'10	'09
Loans and advances with tangible guarantees	-	-
Loans and advances with other guarantees	25,714	10,018
Unsecured loans	86,258	46,652
Loans and advances to the public sector	-	-
Financial leases	-	43,043
Factoring transactions	-	-
	111,972	**99,713**

The analysis of recovered loans and interest that were charged-off during the year or in previous years in 2010 and 2009, by type of loan is as follows:

MZN' 000

	'10	'09
Loans and advances with tangible guarantees	-	377
Loans and advances with other guarantees	13,715	21,012
Unsecured loans	89,306	97,181
Loans and advances to the public sector	-	-
Financial leases	-	10
Factoring transactions	-	-
	103,021	**118,580**

18. FINANCIAL ASSETS AVAILABLE FOR SALE

The item Financial assets available for sale is analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Bonds and other fixed income securities				
Issued by public entities	4,982,881	9,495,490	4,545,077	9,338,359
Issued by other entities	81,167	96,314	-	-
	5,064,048	**9,591,804**	**4,545,077**	**9,338,359**
Shares and other variable income securities	27,360	25,005	9,194	7,922
Impairment for shares and other variable income securities	(7,098)	(7,098)	(7,098)	(7,098)
	5,084,310	**9,609,711**	**4,547,173**	**9,339,183**

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

The analysis of Financial assets by type of asset is analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Bonds and other fixed income securities				
Issued by public entities				
Available for sale	4,982,881	9,495,490	4,545,077	9,338,359
	4,982,881	**9,495,490**	**4,545,077**	**9,338,359**
Issued by other entities				
Available for sale				
National	45,755	63,203	-	-
Foreign	35,413	33,111	-	-
	81,167	**96,314**	**-**	**-**
Shares and other variable income securities				
Available for sale	27,360	25,005	9,194	7,922
	25,005		7,922	
Impairment for shares and other securities	(7,098)	(7,098)	(7,098)	(7,098)
	5,084,310	**9,609,711**	**4,547,173**	**9,339,183**

Impairment movements in the Financial assets available for sale portfolio are analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	7,098	7,098	7,098	7,098
Impairment for the year	-	-	-	-
Reversal for the year	-	-	-	-
Balance on the 31st of december	**7,098**	**7,098**	**7,098**	**7,098**

19. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Subsidiary:				
Seguradora Internacional de Moçambique, S,A	-	-	356,148	356,148
	-	**-**	**356,148**	**356,148**

The investment of 356,148 thousand meticais in the subsidiary Seguradora Internacional de Moçambique S.A., corresponds to the cost of acquiring shares. On the 31st of december 2010 the equity of the subsidiary was 980,703 thousand meticais.

On the 31st of december 2010 the Bank's percentage share in the subsidiary was as follows:

MZN

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

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

The item Investments in associate companies contains amounts corresponding to financial participation by the Bank's subsidiary in an associate company, Constellation, S.A., acquired in the first quarter of 2010 and that is summarized as follows:

MZN' 000

Associate	Head office	Share capital	Economic activity	Effective participation (%)		Value of balance sheet		Results of equity method	
				Dec. 10	Dec. 09	Dec. 10	Dec. 09	Dec. 10	Dec. 09
Constellation, S.A.	Maputo	1,053,500	Real Estate	17.98	-	210,700	-	-	-

20. OTHER TANGIBLE ASSETS (PROPERTY AND EQUIPMENT)

In 2010 Group and Bank movements in the item Other tangible assets (property and equipment) are analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Real estate	1,311,645	1,148,675	467,650	374,084
Works in rented buildings	422,416	372,948	422,415	372,948
Equipment				
Furniture	187,569	163,854	182,842	156,866
Machines	111,400	104,101	108,177	99,642
IT equipment	923,721	792,576	874,408	749,004
Fixtures and fittings	314,505	255,981	314,505	255,965
Vehicles	267,389	238,610	241,574	216,310
Security equipment	167,379	143,233	167,379	143,233
Other tangible assets	38,886	40,200	36,062	34,723
Work in progress	844,080	227,179	844,078	227,179
	4,588,990	**3,487,357**	**3,659,090**	**2,629,954**
Accumulated depreciation and impairment	**(1,677,142)**	**(1,393,706)**	**(1,498,788)**	**(1,293,560)**
	2,911,848	**2,093,651**	**2,160,302**	**1,336,394**

The Group's movements in the item Other tangible assets (property and equipment) in 2010 are analyzed as follows:

MZN' 000

	Balance on the 1st of january	Acquisitions/ charges	Disposals/ charged off	Transfers	Balance on 31st dec. 10
Cost					
Real estate	1,148,675	72,824	(540)	(91,536)	1,311,645
Works in rented buildings	372,948	2,741	-	46,727	422,416
Equipment					
Furniture	163,854	9,418	(3,446)	17,743	187,569
Machines	104,101	8,645	(1,364)	18	111,400
IT equipment	792,576	67,153	(16,951)	80,943	923,721
Fixtures and fittings	255,981	13,823	(190)	44,891	314,505
Vehicles	238,610	52,970	(24,191)	-	267,389
Security equipment	143,233	9,044	-	15,102	167,379
Other tangible assets	40,200	1,509	(2,825)	2	38,887
Work in progress	227,179	913,863	-	(296,962)	844,080
	3,487,357	**1,151,190**	**(49,557)**	**-**	**4,588,990**
Accumulated depreciation					
Real estate	(110,601)	(102,436)	-	-	(213,037)
Works in rented buildings	(137,859)	(31,684)	-	-	(169,543)
Equipment					
Furniture	(97,684)	(12,087)	3,321	-	(106,450)
Machines	(67,250)	(8,549)	1,321	-	(74,479)
IT equipment	(561,724)	(98,090)	14,225	115	(645,474)
Fixtures and fittings	(151,679)	(20,833)	190	(115)	(172,437)
Vehicles	(164,507)	(39,170)	23,391	-	(180,286)
Security equipment	(71,700)	(13,888)	-	-	(85,588)
Other tangible assets	(30,702)	(1,937)	2,790	-	(29,848)
	(1,393,706)	**(328,674)**	**45,238**	**-**	**(1,677,142)**

The Bank's movements in the item Other tangible assets (property and equipment) in 2010 are analyzed as follows:

MZN' 000

	Balance on the 1st of january	Acquisitions/ charges	Disposals/ charged off	Transfers	Balance on 31st dec. 10
Cost					
Real estate	374,084	2,620	(591)	91,537	467,650
Works in rented buildings	372,948	2,741	-	46,726	422,415
Equipment					
Furniture	156,866	8,294	(60)	17,743	182,843
Machines	99,642	8,517	-	18	108,177
IT equipment	749,004	52,497	(8,036)	80,943	874,408
Fixtures and fittings	255,965	13,823	(174)	44,891	314,505
Vehicles	216,310	46,278	(21,014)	-	241,574
Security equipment	143,233	9,044	-	15,102	167,379
Other tangible assets	34,723	1,337	-	2	36,062
Work in progress	227,179	913,860	-	(296,962)	844,077
	2,629,954	**1,059,011**	**(29,875)**	**-**	**3,659,090**
Accumulated depreciation					
Real estate	(65,605)	(13,820)	-	-	(79,425)
Works in rented buildings	(137,859)	(31,684)	-	-	(169,543)
Equipment					
Furniture	(93,226)	(11,553)	32	-	(104,747)
Machines	(63,414)	(8,406)	-	-	(71,820)
IT equipment	(534,574)	(93,868)	5,408	115	(622,919)
Fixtures and fittings	(151,664)	(20,833)	174	(115)	(172,438)
Vehicles	(149,500)	(35,459)	20,289	-	(164,670)
Security equipment	(71,700)	(13,888)	-	-	(85,588)
Other tangible assets	(26,018)	(1,620)	-	-	(27,638)
	(1,293,560)	**(231,131)**	**25,903**	**-**	**(1,498,788)**

21. GOODWILL AND INTANGIBLE ASSETS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Intangible assets				
Software	302,089	275,579	302,089	275,579
Work in progress	30,556	7,148	30,556	4,641
	332,645	**282,727**	**332,645**	**280,220**
Accumulated depreciation	**(267,885)**	**(260,471)**	**(267,885)**	**(260,471)**
	64,760	**22,256**	**64,760**	**19,749**
Difference between consolidation and revaluation (Goodwill)				
Seguradora Internacional de Moçambique, S,A,	122,313	122,313	-	-
	187,073	**144,569**	**64,760**	**19,749**

The Group's movements in the item Other intangible assets in 2010 for the Group are analyzed as follows:

MZN' 000

	Balance on the 1st of january	Acquisitions/ charges	Disposals/ charged off	Transfers	Balance on 31st dec. 10
Cost					
Software	275,579	21,868	-	4,642	302,089
Work in progress	7,148	30,556	(2,506)	(4,642)	30,556
	282,727	**52,424**	**(2,506)**	**-**	**332,645**
Goodwill	122,313	-	-	-	122,313
	405,040	**52,424**	**(2,506)**	**-**	**454,958**
Accumulated depreciation					
Software	(260,471)	(7,414)	-	-	(267,885)
Net value	**144,569**	**45,010**	**(2,506)**	**-**	**187,073**

The Bank's movements in the item Other intangible assets in 2010 are analyzed as follows:

MZN' 000

	Balance on the 1st of january	Acquisitions/ charges	Disposals/ charged off	Transfers	Balance on 31st dec. 10
Cost					
Software	275,579	21,868	-	4,642	302,089
Work in progress	4,641	30,557	-	(4,642)	30,556
	280,220	**52,425**	**-**	**-**	**332,645**
Accumulated depreciation					
Software	(260,471)	(7,414)	-	-	(267,885)
Net value	**19,749**	**45,011**	**-**	**-**	**64,760**

22. CURRENT TAX ON ASSETS AND LIABILITIES

MZN' 000

	Group '10		Group '09	
	Assets	Liabilities	Assets	Liabilities
Tax to be reimbursed – IRPC	2,184	-	-	-
Payable – IRPC	-	93,364	-	101,147
	2,184	**93,364**	**-**	**101,147**

MZN' 000

	Bank '10		Bank '09	
	Assets	Liabilities	Assets	Liabilities
Payable – IRPC	-	93,364	-	66,825
	-	**93,364**	**-**	**66,825**

23. OTHER ASSETS

On the 31st of december 2010 the item Impairment for other assets, for the Group and for the Bank, included 113,903 thousand meticais (2009: 120,092 thousand meticais) for impairment related to investments arising from recovered loans.

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Debtors	24,835	13,932	15,434	12,293
Investment arising from recovered loans	179,017	191,459	179,016	191,458
Other income receivable	25,901	17,591	29,475	17,591
Prepayments	9,616	6,055	8,618	4,888
Income receivable from insurance activity	79,090	55,126	-	-
Sundry accounts	163,542	211,812	163,524	210,713
Assigned reinsurance provisions	150,217	136,078	-	-
	632,218	**632,053**	**396,067**	**436,943**
Impairment for other assets	(158,209)	(144,301)	(140,397)	(130,552)
	474,009	**487,752**	**255,670**	**306,391**

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	144,301	132,509	130,552	113,185
Impairment for the year	13,022	-	8,960	-
Reversal for the year	-	(6,619)	-	(1,044)
Amounts charged-off	-	-	-	-
Transfers	-	17,143	-	17,143
Exchange rate fluctuation	886	1,268	885	1,268
Balance on the 31st of december	**158,209**	**144,301**	**140,397**	**130,552**

24. DEPOSITS FROM OTHER CREDIT INSTITUTIONS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Deposits from other credit institutions payable on demand	20,824	22,623	20,824	22,623
Term deposits from other credit institutions	173,934	1,589,368	173,934	1,589,368
	194,758	**1,611,991**	**194,758**	**1,611,991**
Term deposits from other credit institutions				
Deposits from other credit institutions in Mozambique	21,848	1,434,544	21,848	1,434,544
Deposits from other credit institutions abroad	152,086	154,824	152,086	154,824
	173,934	**1,589,368**	**173,934**	**1,589,368**

25. DEPOSITS FROM CUSTOMERS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Current deposits	25,021,131	24,619,972	25,045,945	24,656,380
Term deposits	16,649,248	10,548,031	16,990,691	10,694,066
Other resources	197,430	2,311,040	1,508,358	3,745,819
	41,867,809	**37,479,043**	**43,544,994**	**39,096,265**

26. DEBT SECURITIES ISSUED

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Debenture loans				
BIM Bonds 2003-2013	-	-	50,637	66,975
BIM Bonds 2010-2015	1,038,500	-	1,038,500	-
	1,038,500	**-**	**1,089,137**	**66,975**

MZN' 000

Description of issue	Date of issue	Date of reimbursement	Interest rate %	Nominal value	Reimbursement	Balance '10
BIM Bonds 2003-2013	02-09-2003	22-09-2013	13.937% (a)	65,000	(16,250)	48,750
BIM Bonds 2010-2015	15-10-2010	15-10-2015	18.00% (b)	1,000,000	-	1,000,000

(a) Rate corresponding to the weighted average weight by maturity and amount for the last six issues of Treasury Bills (TB) with maturity dates equal to or over 28 days calculated on the second business day prior to the date when each interest period begins, rounded to the nearest 1/16 of the higher percentage point.

(b) Rate corresponding to the rate of the Banco de Moçambique's Permanent Credit Facility (PCF) calculated on the second business day prior to the date for each interest rate count plus a margin of 3.5%.

27. PROVISIONS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Provisions for guarantees and other commitments	340,055	135,025	340,055	135,025
Provisions for general banking risks	6,783	11,601	6,783	10,251
Provisions for other risks and charges	37,761	40,555	37,411	40,555
Technical provisions for insurance activity	2,656,251	2,267,716	-	-
	3,040,850	**2,454,897**	**384,249**	**185,831**

Movements in Provisions for guarantees and other commitments/indirect credit are analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	135,025	98,681	135,025	98,681
Charge for the year	249,649	50,513	249,649	50,513
Reversal for the year	(38,877)	(22,110)	(38,877)	(22,110)
Transfers	(5,572)	-	(5,572)	-
Exchange rate differences	(170)	7,941	(170)	7,941
Balance on the 31st of december	**340,055**	**135,025**	**340,055**	**135,025**

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	11,601	12,472	10,251	11,122
Charge for the year	560	-	560	-
Reversal for the year	(1,000)	(904)	-	(904)
Transfers	(350)	-	-	-
Exchange rate differences	29	33	29	33
Amounts charged-off	(4,057)	-	(4,057)	-
Balance on the 31st of december	**6,783**	**11,601**	**6,783**	**10,251**

The purpose of Provisions for general banking risk is to cover potential contingencies arising from ongoing legal cases.

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Balance on the 1st of january	40,555	23,749	40,555	23,749
Charge for the year	9,647	14,372	9,647	14,372
Reversal for the year	(4,832)	-	(4,832)	-
Transfers	350	2,434	-	2,434
Exchange rate differences	-	-	-	-
Amounts charged-off	(7,959)	-	(7,959)	-
Balance on the 31st of december	**37,761**	**40,555**	**37,411**	**40,555**

The item technical Provisions for insurance activity includes: (i) Mathematical provisions, (ii) Provision for participation in profits, (iii) Provisions for unearned premiums and (iv) Provision for claims. The net charge for the first three provisions, amounting to 419,788 thousand meticais is recorded in income in the item Other provisions (see Note 11) and the net charge for Provision for claims amounting to 398,012 thousand meticais is recorded in the item Other operating income (see Note 6).

28. SUBORDINATED DEBT

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Shareholders' supplementary entries				
BCP Internacional II, SGPS, Lda	-	183,473	-	183,473
Mozambican State	-	101,704	-	101,704
	-	**285,177**	**-**	**285,177**
Subordinated debt				
BIM Bonds 2003-2013	-	-	86,476	85,693
BIM Bonds 2006-2016	-	-	176,271	176,427
	-	**-**	**262,747**	**262,120**
	-	**285,177**	**262,747**	**547,297**

In december 2010, on the date they matured the Bank made supplementary payments to Shareholders.

The subordinated debt issued has the following characteristics:

MZN' 000

Description of Issue	Date of issue	Date of reimbursement	Interest rate %	Value of issue
BIM 2003-2013	23-11-2003	23-11-2013	15.25% (a)	85,000
BIM 2006-2016	14-12-2006	14-12-2016	15.375% (a)	175,000

(a) Rate corresponding to the weighted average weight by maturity and amount for the last six issues of treasury Bills (TB) with maturity dates equal to or over 28 days calculated on the second business day prior to the date when each interest period begins, plus 0.5%, and rounded to the nearest 1/16 of the higher percentage point.

29. DEFERRED TAXES ON ASSETS AND LIABILITIES

Deferred taxes on assets and liabilities on the 31st of december 2010 and 2009 were due to the following temporary differences:

MZN' 000

	Group '10		Group '09	
	Assets	Liabilities	Assets	Liabilities
Tangible	8,147	6,368	-	6,368
Impairment losses	-	-	4,016	-
Retirement pensions	6,000	-	15,718	-
Financial assets available for sale (AFS)	-	3,407	-	3,276
Other	-	5,110	-	6,503
Deferred taxes on assets/liabilities	**14,147**	**14,885**	**19,734**	**16,147**
Net deferred tax	**(738)**	**-**	**3,587**	**-**

MZN' 000

	Bank '10		Bank '09	
	Assets	Liabilities	Assets	Liabilities
Tangible assets	8,147	-	-	-
Impairment losses	-	-	4,016	-
Retirement pensions	6,000	-	15,718	-
Deferred taxes on assets/liabilities	**14,147**	**-**	**19,734**	**-**
Net deferred tax	**14,147**	**-**	**19,734**	**-**

Movement in the item Net deferred taxes on liabilities is as follows:

MZN' 000

	Group '10	Group '09	Bank '10	Bank '09
Balance on the 1st of january	3,587	25,816	19,734	35,952
Income for the year	(4,194)	(18,953)	(5,586)	(16,218)
Movement in reserves	(131)	(3,276)	-	-
	(738)	**3,587**	**14,147**	**19,734**

30. OTHER LIABILITIES

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Suppliers	56,200	57,427	6,966	7,571
Sundry creditors	148,281	63,707	127,702	42,754
VAT to be settled	1,459	9,303	1,459	9,303
Retained taxes	68,584	36,692	63,648	31,370
Social Security contributions	4,108	3,459	4,108	3,459
Accrued expenditure	176,481	115,810	165,162	112,501
Staff costs	403,792	327,239	371,758	310,271
Deferred income	100,447	28,369	100,447	28,369
Earmarked resources	55,742	68,691	55,742	68,691
Other liabilities	17,571	11,248	15,958	9,812
	1,032,665	**721,945**	**912,950**	**624,101**

31. SHARE CAPITAL

The Bank's share capital of 1,500,000 thousand meticais comprising 15,000,000 shares, each with a nominal value of 100 meticais, is fully subscribed and paid up.

On the 31st of december 2010 the shareholding structure was as follows:

	Dec. 10 Nr. shares	% shareholding	Dec. 09 Nr. shares	% shareholding
Millennium BCP Participações, SGPS, Lda	10,002,820	66.69%	10,002,820	66.69%
Mozambican State	2,568,249	17.12%	2,568,440	17.12%
INSS - Instituto Nacional de Segurança Social	742,603	4.95%	742,603	4.95%
EMOSE – Empresa Moçambicana de Seguros, SARL	622,103	4.15%	622,103	4.15%
FDC – Fundação para Desenvolvimento da Comunidade	162,620	1.08%	162,620	1.08%
Managers, Technicians and Workers (MTW)	901,605	6.01%	901,414	6.01%
	15,000,000	**100.00%**	**15,000,000**	**100.00%**

32. RESERVES AND RETAINED EARNINGS

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Legal reserve	1,028,829	741,000	1,028,829	741,000
Other reserves and retained earnings	3,498,504	2,260,359	3,067,136	1,915,819
Net income for the year	2,408,222	2,005,440	2,247,810	1,918,862
	6,935,555	**5,006,799**	**6,343,775**	**4,575,681**

Under Mozambican Legislation – Law 15/99 on Credit Institutions – every year the Bank must increase its legal reserve by at least 15% of its annual profit until it is equal to the share capital. Under normal circumstances the reserve cannot be distributed. Given the Bank's annual profit in 2009, it must allocate 287,829 thousand meticais to the legal reserve.

33. DIVIDENDS

The Ordinary General Meeting held in march 2010 approved the Board of Directors' proposal that 25% of profit in the 31st of december 2010 should be distributed after establishing its legal reserve of 287,829 thousand meticais.

34. GUARANTEES AND OTHER COMMITMENTS

Guarantees and other commitments are analyzed as follows:

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Guarantees and endorsements issued				
Personal guarantees	6,851,870	6,246,738	6,851,870	6,246,738
Real guarantees	2,050,194	-	2,050,194	-
Guarantees and endorsements received				
Personal guarantees	71,758,590	64,200,909	71,758,590	64,200,909
Real guarantees	11,424,542	15,905,498	11,424,542	15,905,498
Third party commitments	4,527,863	2,356,190	4,527,863	2,356,190
Foreign exchange spot operations:				
Purchases	503,771	167,496	503,771	167,496
Sales	524,585	167,436	524,585	167,436
Foreign exchange forward operations:				
Purchases	530	63,813	530	63,813
Sales	499	58,942	499	58,942

35. RELATED PARTIES

The Group's balances and transactions with related parties (Grupo Millennium bcp), in the years ended 31st of december 2010 and 2009 are presented below:

MZN' 000

	'10	'09
Investments	5,508,222	4,333,651
Income receivable	(9,634)	(30,116)
Expenditure to be paid	(99,260)	(77,098)
Subordinated debt	-	(180,410)
Income	(19,197)	(25,640)
Costs	377,205	288,890
Real guarantees provided	2,050,194	-

36. CASH AND CASH EQUIVALENT

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

MZN' 000

	Group		Bank	
	'10	'09	'10	'09
Cash deposits	1,703,958	1,826,996	1,703,958	1,826,996
Loans and advances to credit institutions in Mozambique	28,946	59,150	28,946	59,150
Loans and advances to credit institutions abroad	255,076	268,578	255,076	268,578
	1,987,980	**2,154,724**	**1,987,980**	**2,154,724**

37. FAIR VALUE

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

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

- Cash and deposits at Banco de Moçambique, deposits in other credit institutions, deposits from other credit institutions, loans and advances to other credit institutions, resources in the Interbank Money Market and assets with repurchase agreements.

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

- Loans and advances to Customers

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

- Deposits from Customers

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

- Debt securities issued and subordinated debt

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

38. RETIREMENT PENSIONS

As of the 31st of december 2010, the number of participants covered by the Bank's pension plan was as follows:

	'10	'09
Retirees and pensioners	522	514
Current Employees	1,915	1,773
	2,437	**2,287**

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

MZN' 000

	'10	'09
Past service liability	712,580	620,844
Retiree liability	884,476	813,868
Pensioner liability	94,971	86,681
Total liabilities	**1,692,027**	**1,521,393**
Value of coverage	1,658,751	1,481,609
Coverage difference	(33,276)	(39,784)
Cost for the year	105,099	69,716

In december 2010 the Bank recognized the coverage difference in the item staff costs.

The coverage value of Retirement pensions is analyzed as follows:

MZN' 000

	'10	'09
For current Employees Accumulated value of the capitalization policy + estimate of profit sharing	679,304	581,060
For retired former Employees Assets + Income allocated to annuity policy	979,447	900,549
	1,658,751	**1,481,609**

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

	'10	'09
Normal retirement age:		
Men	60	60
Women	55	55
Rate of salary increase	12.75%	11.90%
Rate of pension increase	10.00%	8.40%
Fund rate of return	14.00%	12.40%
Mortality table	PF 60/64	PF 60/64

39. SEGMENTAL REPORTING

The business and geographical segments of this report by segment comply with IFRS 8.

The Bank offers a range of banking activities and financial services with a special focus on commercial banking and insurance.

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

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

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

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

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

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

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

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

ACTIVITIES OF BUSINESS SEGMENTS ON THE 31ST OF DECEMBER 2010

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

The net contribution of the Group's Insurance company reflects its individual net income irrespective of the percentage held by the Bank.

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

MZN' 000

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

MZN' 000

31st of december 2009	Retail banking	Corporate banking	Insurance	Other	Consolidated total
Net interest income	1,672,463	1,368,529	199,338	-	3,240,330
Net fees and commissions income	597,219	357,944	(32,828)	-	922,335
Net gains arising from trading activity	377,682	461,611	29,401	-	868,693
Other operating income	117,251	97,193	613,312	(285,385)	542,370
Total operating income	2,764,615	2,285,277	809,223	(285,385)	5,573,728
Staff	572,103	468,085	86,320	(69,716)	1,056,792
Other administrative expenses	590,818	483,397	57,230	(117,961)	1,013,483
Depreciation	116,908	95,652	9,536	4,544	226,639
Total operating costs	1,279,829	1,047,133	153,085	(183,133)	2,296,914
Loan impairment	193,536	218,985	-	-	412,521
Other provisions	25,662	15,164	349,120	-	389,946
Profit before income tax	1,265,588	1,003,994	307,017	(102,252)	2,474,347
Income tax	234,921	114,537	98,917	-	448,376
Minority interests	-	-	-	20,531	20,531
Profit for the year attributable to Shareholders	1,030,666	889,457	208,100	(122,783)	2,005,440

40. RISK MANAGEMENT

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

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

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

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

MAIN TYPES OF RISK

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

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

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

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

MARKET RISK

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

Interest Rate Risk

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

Exposure to Foreign Exchange Rate Risk

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

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

(i) Sensitivity and Gap analysis (Interest rate differential) – to measure interest rate risk (with the gaps based on the residual repricing terms of active contracts) as shown in the following tables that compare the situation on the 31st of december 2010 with the same period in 2009:

MZN' 000

	Group						
31st of december 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Assets							
Cash and deposits at Banco de Moçambique	5.441.249	-	-	-	-	-	5.441.249
Deposits in other credit institutions	284.022	-	-	-	-	-	284.022
Loans and advances to other credit institutions	4.903.361	1.310.856	4.561	-	-	1.248	6.220.026
Loans and advances to Customers	11.288.456	4.081.144	19.208.409	120.003	1.520.047	(1.235.581)	34.982.478
Financial assets available for sale	754.519	3.874.362	529.770	-	-	(74.341)	5.084.310
Other assets	-	-	-	-	-	3.799.960	3.799.960
Total assets	**22.671.607**	**9.266.362**	**19.742.740**	**120.003**	**1.520.047**	**2.491.286**	**55.812.046**
Liabilities							
Deposits from other credit institutions	180.784	13.974	-	-	-	-	194.758
Deposits from Customers	31.072.750	5.903.743	4.694.802	600	-	195.915	41.867.809
Debt securities issued	1.000.000	-	-	-	-	38.500	1.038.500
Other liabilities	-	-	-	-	-	4.181.764	4.181.764
Total liabilities	**32.253.533**	**5.917.717**	**4.694.802**	**600**	**-**	**4.416.178**	**47.282.831**
Total liabilities and equity	**32.253.533**	**5.917.717**	**4.694.802**	**600**	**-**	**12.945.393**	**55.812.046**
Interest rate risk gap	**(9.581.926)**	**3.348.645**	**15.047.938**	**119.403**	**1.520.047**	**(10.454.108)**	**-**
Accumulated interest rate risk gap	**(9.581.926)**	**(6.233.281)**	**8.814.657**	**8.934.060**	**10.454.108**	**-**	**-**

MZN' 000

	Group						
31st of december 2009	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Total assets	21.354.124	6.604.921	18.339.348	287.009	940.670	1.726.712	49.252.784
Total liabilities and equity	32.762.783	3.156.697	3.463.660	-	-	9.869.644	49.252.784
Interest rate risk gap	(11.408.659)	3.448.224	14.875.688	287.009	940.670	(8.142.933)	-
Accumulated interest rate risk gap	(11.408.659)	(7.960.435)	6.915.254	7.202.263	8.142.933	-	-

MZN' 000

Bank							
31st of december 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Assets							
Cash and deposits at Banco de Moçambique	5,441,249	-	-	-	-	-	5,441,249
Deposits in other credit institutions	284,022	-	-	-	-	-	284,022
Loans and advances to other credit institutions	4,903,361	1,310,856	4,561	-	-	1,247	6,220,025
Loans and advances to Customers	11,288,456	4,081,144	19,208,409	120,003	1,520,047	(1,235,581)	34,982,478
Financial assets available for sale	720,000	3,531,166	405,000	-	-	(108,993)	4,547,173
Other assets	-	-	-	-	-	2,851,027	2,851,027
Total assets	**22,637,088**	**8,923,166**	**19,617,970**	**120,003**	**1,520,047**	**1,507,700**	**54,325,974**
Liabilitie							
Deposits from other credit institutions	180,784	13,974	-	-	-	-	194,758
Deposits from Customers	31,369,237	6,713,436	5,291,267	600	-	170,454	43,544,994
Debt securities issued	1,000,000	48,750	-	-	-	40,387	1,089,137
Subordinated debt	-	-	260,000	-	-	2,747	262,747
Other liabilities	-	-	-	-	-	1,390,563	1,390,563
Total liabilities	**32,550,021**	**6,776,160**	**5,551,267**	**600**	**-**	**1,604,151**	**46,482,199**
Total liabilities and equity	**32,550,021**	**6,776,160**	**5,551,267**	**600**	**-**	**9,447,926**	**54,325,974**
Interest rate risk gap	**(9,912,933)**	**2,147,006**	**14,066,703**	**119,403**	**1,520,047**	**(7,940,226)**	**-**
Accumulated interest rate risk gap	**(9,912,933)**	**(7,765,927)**	**6,300,776**	**6,420,179**	**7,940,226**	**-**	**-**

MZN' 000

Bank							
31st of december 2009	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years	No interest rate risk	Total
Total assets	21,292,952	6,540,120	18,217,234	287,009	940,670	996,981	48,274,966
Total liabilities and equity	33,251,869	3,221,697	4,946,264	-	-	6,855,137	48,274,966
Interest rate risk gap	(11,958,917)	3,318,423	13,270,971	287,009	940,670	(5,858,156)	-
Accumulated interest rate risk gap	(11,958,917)	(8,640,494)	4,630,477	4,917,486	5,858,156	-	-

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

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

(iii) Exchange Rate Risk – This is assessed by measuring indicators defined in the prudential standards of Banco de Moçambique, and is analyzed using indicators such as the following:

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

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

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

MZN' 000

	Group					
	'10			'09		
	American dollars	Other foreign currencies	Total	American dollars	Other foreign currencies	Total
Assets						
Cash and deposits at Banco de Moçambique	253,570	247,621	501,191	324,451	172,671	497,123
Deposits in other credit institutions	123,874	138,190	262,064	83,403	-	83,403
Loans and advances to other credit institutions	5,174,783	460,156	5,634,939	3,736,017	812,117	4,548,135
Loans and advances to Customers	7,512,800	808,040	8,320,840	5,672,586	690,188	6,362,774
Financial assets available for sale	35,489	-	35,489	31,872	-	31,872
Other assets	48,733	43,547	92,280	28,340	23,475	51,816
	13,149,249	1,697,554	14,846,803	9,876,670	1,698,452	11,575,122
Liabilitie						
Deposits from other credit institutions	127,326	37,664	164,990	127,946	36,251	164,197
Deposits from Customers	12,254,556	1,496,695	13,751,251	8,902,839	1,464,950	10,367,789
Provisions	454,950	83,756	538,706	331,643	73,759	405,402
Subordinated debt	-	-	-	180,411	-	180,411
Other liabilities	540,085	104,370	644,455	539,343	284,846	824,189
	13,376,917	1,722,485	15,099,402	10,082,182	1,859,807	11,941,988
Global operating position	(227,668)	(24,931)	(252,599)	(205,512)	(161,354)	(366,866)

MZN' 000

	Bank					
	'10			'09		
	American dollars	Other foreign currencies	Total	American dollars	Other foreign currencies	Total
Assets						
Cash and deposits at Banco de Moçambique	253,570	247,621	501,191	324,451	172,671	497,123
Deposits in other credit institutions	123,874	138,190	262,064	83,403	-	83,403
Loans and advances to other credit institutions	5,174,783	460,156	5,634,939	3,736,017	812,117	4,548,135
Loans and advances to Customers	7,512,800	808,040	8,320,840	5,672,586	690,188	6,362,774
Financial assets available for sale	920	-	920	824	-	824
Other assets	1,733	5,989	7,722	2,359	-	2,359
	13,067,680	1,659,996	14,727,676	9,819,641	1,674,977	11,494,618
Liabilitie						
Deposits from other credit institutions	127,326	37,664	164,990	127,946	36,251	164,197
Deposits from Customers	12,254,556	1,496,695	13,751,251	8,902,839	1,464,950	10,367,790
Provisions	141,747	6,962	148,709	67,287	5,983	73,270
Subordinated debt	-	-	-	180,411	-	180,411
Other liabilities	537,537	97,104	634,641	539,343	284,846	824,190
	13,061,166	1,638,425	14,699,591	9,817,826	1,792,031	11,609,857
Global operating position	6,514	21,571	28,085	1,814	(117,054)	(115,240)

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

Income in 2010 and 2009 also shows that the Group and the Bank are within tolerance limits for exchange rate risk, defined according to prudential standards established by Banco de Moçambique, whether per currency or for all currencies.

LIQUIDITY RISK

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

MZN' 000

	Group				
31st of december 2010	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Assets					
Cash and deposits at Banco de Moçambique	5,441,249	-	-	-	-
Cash and deposits in other credit institutions	284,022	-	-	-	-
Loans and advances to credit institutions	4,934,959	1,169,367	118,128	-	-
Loans and advances to Customers	3,894,178	3,571,109	2,419,622	8,034,543	18,632,836
Financial assets available for sale	720,000	3,531,166	639,665	143,050	124,770
Total assets	**15,274,408**	**8,271,642**	**3,177,415**	**8,177,593**	**18,757,606**
Liabilities					
Deposits from other credit institutions	180,865	13,974	-	-	-
Deposits from Customers	29,593,341	4,445,572	7,828,296	600	-
Debt securities issued	-	38,500	-	-	1,000,000
Subordinated debt	-	-	-	-	-
Total liab	**29,774,206**	**4,498,046**	**7,828,296**	**600**	**1,000,000**
Liquidity gaps	**(14,499,798)**	**3,773,596**	**(4,650,879)**	**8,176,993**	**17,757,606**
Accumulated liquidity gap	**(14,499,798)**	**(10,726,202)**	**(15,377,082)**	**(7,200,089)**	**10,557,517**

MZN' 000

	Group				
31st of december 2009	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 3 years	Over 3 years
Total	16,550,308	5,267,027	7,654,098	3,976,779	14,325,751
Total liabilities	28,872,447	4,270,873	6,045,543	-	291,929
Liquidity gaps	(12,322,139)	996,154	1,608,554	3,976,779	14,033,822
Accumulated liquidity gap	(12,322,139)	(11,325,985)	(9,717,431)	(5,740,652)	8,293,170

MZN' 000

	Bank				
31st of december 2010	Up to 1 month	1 to 3 months	3 months to 1 year	Entre 1 e 3 years	Over 3 years
Assets					
Cash and deposits at Banco de Moçambique	5,441,249	-	-	-	-
Cash and deposits in other credit institutions	284,022	-	-	-	-
Loans and advances to credit institutions	4,934,959	1,169,367	118,128	-	-
Loans and advances to Customers	3,894,178	3,571,109	2,419,622	8,034,543	18,632,836
Financial assets available for sale	720,000	3,531,166	405,000	-	-
Total assets	**15,274,408**	**8,271,642**	**2,942,750**	**8,034,543**	**18,632,836**
Liabilities					
Deposits from other credit institutions	180,865	13,974	-	-	-
Deposits from Customers	29,909,228	5,266,871	8,413,155	600	-
Debt securities issued	-	48,512	8,125	32,500	1,000,000
Subordinated assets	-	2,747	-	85,000	175,000
Total liabilities	**30,090,093**	**5,332,104**	**8,421,280**	**118,100**	**1,175,000**
Liquidity gaps	**(14,815,685)**	**2,939,538**	**(5,478,530)**	**7,916,443**	**17,457,836**
Accumulated liquidity gap	**(14,815,685)**	**(11,876,147)**	**(17,354,677)**	**(9,438,234)**	**8,019,602**

MZN' 000

	Bank				
31st of december 2009	Up to 1 month	1 to 3 months	3 months to 1 year	Entre 1 e 3 years	Over 3 years
Total assets	16,550,308	5,264,996	7,654,098	3,945,812	14,110,662
Total liabilities	29,361,405	4,270,873	7,272,242	-	616,930
Liquidity gaps	(12,811,097)	994,123	381,856	3,945,812	13,493,733
Accumulated liquidity gap	(12,811,097)	(11,816,974)	(11,435,118)	(7,489,306)	6,004,427

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

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

OPERATING RISK

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

41. SOLVENCY

The equity of Banco Internacional de Moçambique's and on an adjusted consolidated basis, are calculated in line with the applicable regulations, i.e. as stipulated in Banco de Moçambique Notice 05/GBM/2007. Total equity is the result of adding together base equity (Tier I) and complementary equity (Tier II) and subtracting from the relevant component in the aggregate deductions.

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

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

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

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

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

MZN' 000

Disclosure of Capital	'10	'09
Basic equity		
Tier I		
Paid up capital	1,500,000	1,500,000
Reserves and retained earnings	4,093,421	2,654,275
Intangible assets	(64,760)	(19,750)
Tier I total equity	**5,528,661**	**4,134,525**
Tier II complementary capital		
Subordinated debt	226,000	355,160
Other	9,303	10,932
Tier II total equity	**235,303**	**366,092**
Deduction from total equity	59,341	71,348
Eligible equity	**5,704,623**	**4,429,269**
Assets weighted by risk		
On-balance sheet	35,061,175	27,317,947
Off-balance sheet	2,804,679	2,774,166
Ratio of adequacy of Tier I equity	14.6%	13.7%
Ratio of adequacy of Tier II equity	0.6%	1.2%
Solvency ratio	**15.1%**	**14.7%**

42. RISK CONCENTRATION

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

MZN' 000

Group										
Sector	Dep. in other credit instits.	Loans and advances to credit institutions	Loans and advances to Customers	Financ. assets avail. for sale	Invest. in subsidiaries	Other assets	'10		'09	
							Total	%	Total	%
Public sector	-	-	3,152,825	4,984,730	-	-	8,137,555	17.2%	9,715,344	22.8%
Financial institutions	284,022	6,220,026	-	36,400	-	-	6,540,448	13.8%	4,911,626	11.5%
Agriculture and Forests	-	-	1,627,147	-	-	-	1,627,147	3.4%	1,609,592	3.8%
Extractive industries	-	-	21,318	-	-	-	21,318	0.0%	19,696	0.0%
Food, bev, tobacco	-	-	1,477,057	4,981	-	-	1,482,038	3.1%	1,209,374	2.8%
Textiles	-	-	2,808	-	-	-	2,808	0.0%	3,582	0.0%
Paper, print, publishing	-	-	38,968	-	-	-	38,968	0.1%	37,336	0.1%
Chemicals	-	-	207,679	-	-	-	207,679	0.4%	462,622	1.1%
Machines and equipment	-	-	607,354	-	-	-	607,354	1.3%	517,266	1.2%
Electricity, water and gas	-	-	170,703	-	-	-	170,703	0.4%	191,125	0.4%
Construction	-	-	2,768,803	-	-	-	2,768,803	5.9%	2,470,535	5.8%
Commerce	-	-	4,685,828	-	-	-	4,685,828	10.1%	6,767,242	15.9%
Restaurants and and hotels	-	-	1,166,610	-	-	-	1,166,610	2.5%	810,452	1.9%
Transport and communications	-	-	3,605,563	57,023	-	-	3,662,586	7.8%	2,232,151	5.2%
Services	-	-	4,452,101	1,176	210,700	-	4,663,977	9.9%	2,822,924	6.6%
Consumer credit	-	-	8,655,802	-	-	-	8,655,802	18.3%	6,401,832	15.0%
Mortgages	-	-	1,052,647	-	-	-	1,052,647	2.2%	969,271	2.3%
Other activities	-	-	1,289,263	-	-	474,009	1,763,272	3.7%	1,424,522	3.3%
	284,022	**6,220,026**	**34,982,478**	**5,084,310**	**210,700**	**474,009**	**47,255,543**	**100.0%**	**42,576,492**	**100.0%**

MZN' 000

Sector	Bank						'10		'09	
	Dep. in other credit instits.	Loans and advances to credit institutions	Loans and advances to Customers	Financ. assets avail. for sale	Invest. in subsidiaries	Other assets	Total	%	Total	%
Public sector	-	-	3,152,825	4,545,077	-	-	7,697,902	16.5%	9,556,069	22.5%
Financial institutions	284,022	6,220,025	-	920	356,148	-	6,861,115	14.7%	5,232,731	12.3%
Agriculture and Forests	-	-	1,627,147	-	-	-	1,627,147	3.5%	1,609,592	3.8%
Extractive industries	-	-	21,318	-	-	-	21,318	0.0%	19,696	0.0%
Food, bev, tobacco	-	-	1,477,057	-	-	-	1,477,057	3.2%	1,205,442	2.8%
Textiles	-	-	2,808	-	-	-	2,808	0.0%	3,582	0.0%
Paper, print, publishing	-	-	38,968	-	-	-	38,968	0.1%	37,336	0.1%
Chemicals	-	-	207,679	-	-	-	207,679	0.4%	462,622	1.1%
Machines and equipment	-	-	607,354	-	-	-	607,354	1.3%	517,266	1.2%
Electricity, water and gas	-	-	170,703	-	-	-	170,703	0.4%	191,125	0.5%
Construction	-	-	2,768,803	-	-	-	2,768,803	5.9%	2,470,535	5.8%
Commerce	-	-	4,685,828	-	-	-	4,685,828	10.1%	6,767,242	16.0%
Restaurants and hotels	-	-	1,166,610	-	-	-	1,166,610	2.5%	810,452	1.9%
Transport and communications	-	-	3,605,563	-	-	-	3,605,563	7.7%	2,168,948	5.1%
Services	-	-	4,452,101	1,176		-	4,453,277	9.5%	2,813,849	6.6%
Consumer credit	-	-	8,655,802	-	-	-	8,655,802	18.6%	6,401,832	15.1%
Mortgages	-	-	1,052,647	-	-	-	1,052,647	2.3%	969,271	2.3%
Other activities	-	-	1,289,265	-	-	255,670	1,544,935	3.3%	1,181,302	2.8%
	284,022	6,220,025	34,982,478	4,547,173	356,148	255,670	46,645,516	100.0%	42,418,892	100.0%

REPORT OF INDEPENDENT AUDITORS

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

Audit Report

We have conducted an audit of the attached individual and consolidated financial statements of BIM – Banco Internacional de Moçambique, S.A., comprising the individual and consolidated balance sheet as at 31st of december 2010, the individual and consolidated statements on income, changes in equity and cash flow for the financial year ending on that date and the respective annex summarizing the main accounting policies and other explanatory information.

The Board of Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the above-mentioned individual and consolidated financial statements present, in an appropriate manner, in all materially relevant aspects, the individual and consolidated financial position of BIM – Banco Internacional de Moçambique, S.A. on the 31st of december 2010, the individual and consolidated financial performance and the individual and consolidated cash flow in the year ending on that date, in accordance with International Financial Reporting Standards (IFRS).

Maputo, the 21st of february 2011

OPINION OF THE AUDIT BOARD

In accordance with the legal and statutory dispositions, the Audit Board presents to Shareholders the report on its inspection of the activities of BIM – Banco Internacional de Moçambique S.A. and its opinion on the Consolidated Financial Statements of the Millennium bim Group, the Bank's Financial Statements on an individual basis and the report of the Board of Directors on the financial year ending on the 31st of december 2010.

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

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

- The rise of some 36.6% in Net Interest Income (from 3,041.0 million meticais in 2009 to 4,153.1 million meticais in 2010), due to a rise in the volume of interest generating assets, loans in particular, and applications in securities i.e.:

  i) the rise in the volume of net loans to Customers (from 27,540.0 million meticais in 2009 to 34,982.5 million meticais in 2010); and

  ii) changes in the portfolio of bonds and other fixed income securities available for sale (from 9,339.2 million meticais in 2009 to 4,547.2 million meticais in 2010).

- The rise of some 19.9% in Other Net Income (from 2007.6 million meticais in 2009 to 2,406.9 million meticais in 2010), arising from:

  – changes in Dividends from Equity Instruments (dividends received from Seguradora Internacional de Mocambique, S.A.) from 96.7 million meticais in 2009 to 45.6 million meticais in 2010;

  – a rise of some 8.5% in Net Commissions (from 955.2 million meticais in 2009, to 1,035.9 million meticais in 2010) due to a rise in the volume of transactions generating commissions for the Bank in particular the card, credit and guarantee business;

  – a rise of some 39.4% in Net Gains from Trading Activity (from 839.3 million meticais in 2009 to 1,170.2 million meticais in 2010) due to increased turnover and efficient management of the foreign exchange position; and

  – a rise of some 33.2% in Other Net Operating Income (from 116.5 million meticais in 2009 to 155.1 million meticais in 2010.

- Maintaining the quality of the credit portfolio (due to continued rigor in assessing risk when granting new loans) that, together with the rise in the above-mentioned rise in net credit, led to:

  i) a rise in overdue loans from 291.2 million meticais in 2009 to 412.1 million meticais in 2010; and

  ii) the virtual maintenance of the ratio "overdue loans as a proportion of total loans", that rose from 1.0% in 2009 to 1.1% in 2010; and

  iii) the volume of total provisions for impairment losses for credit risk was 1,981.9 million meticais in 2010, an overdue loan coverage ratio of 481.0% (compared to the volume of impairment for credit risk of 1,222.7 million meticais in 2009, a coverage ratio of overdue loans in that year of 419.9%).

- Growth in attracting Customer resources, with the financial statements showing that Customers' deposits rose from 39,096.3 million meticais in 2009 to 43,545.0 million meticais in 2010 i.e. a rise of 11.4%. These resources are being applied carefully, mainly in loans to Customers.

- A rise in operating costs (that include staff costs, other administrative expenses and depreciation) that in 2010 reached 2,934.0 million meticais (compared to 2,327.0 million meticais in 2009), some 26.1% higher than the previous year.

- The Bank's net income of 2,247.8 million meticais in 2010 was 17.1% higher than the 1,918.9 million meticais achieved the previous year.

The audit board also studied the Management and Accounts report for 2010, and the financial statements audited by the external auditor including its opinion. These show:

- That the **Consolidated Balance Sheet** and the **Balance Sheet** of BIM – Banco Internacional de Moçambique, S.A. as at the 31st of december 2010, are a correct reflection of the financial situation of the Group and the Bank;

- That the **Consolidated Net Income Statement** and the **Bank's Net Income Statement** show a consolidated profit of 2,408.2 million meticais and profits for the Bank of 2,247.8 million meticais, and that these represent the results of the activity of the Group and the Bank.

- That the **Consolidated Integral Income Statement** and the **Integral Income Statement of the Bank** show an integral income for the Group of 2,408.5 million meticais and an integral income for the Bank of 2,247.8 million meticais, respectively;

- That the **Consolidated Cash Flow Statement** and the **Bank's Cash Flows Statement** for the year show a fall of 166.7 million meticais in cash and equivalent for the year, for the Group and also for the Bank; and

- That the **Statement on Changes in Consolidated Equity** and the **Statement on Changes in the Bank's Equity** show that on the 31st of december 2010 Equity was 8,529.2 million meticais for the Group and 7,843.8 million meticais for the Bank.

Following its verification and the information obtained the Audit Board:

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

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

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

  iii) are a true reflection of the financial situation of the Group and the Bank as at the 31st of december 2010, as well as the results of operations by the Group and the Bank during the financial year.

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

  – Should approve the Management Report of the Board of Directors and the Consolidated Financial Statements of Banco Millennium bim for the financial year ending on the 31st of december 2009;

  – Should congratulate the Board of Directors and all the other Millennium bim Employees for their performance in the 2010 financial year.

Maputo, the 21st of february 2010

The Audit Board

António de Almeida – Chairman

Subhaschandra M. Bhatt – Member

Armando Pedro M. Júnior – Member

Maria Iolanda Wane – Substitute Member

Annual Report 2010
BIM – Banco Internacional de Moçambique, S.A.

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

July 2011

Millennium
bim

Life inspires us