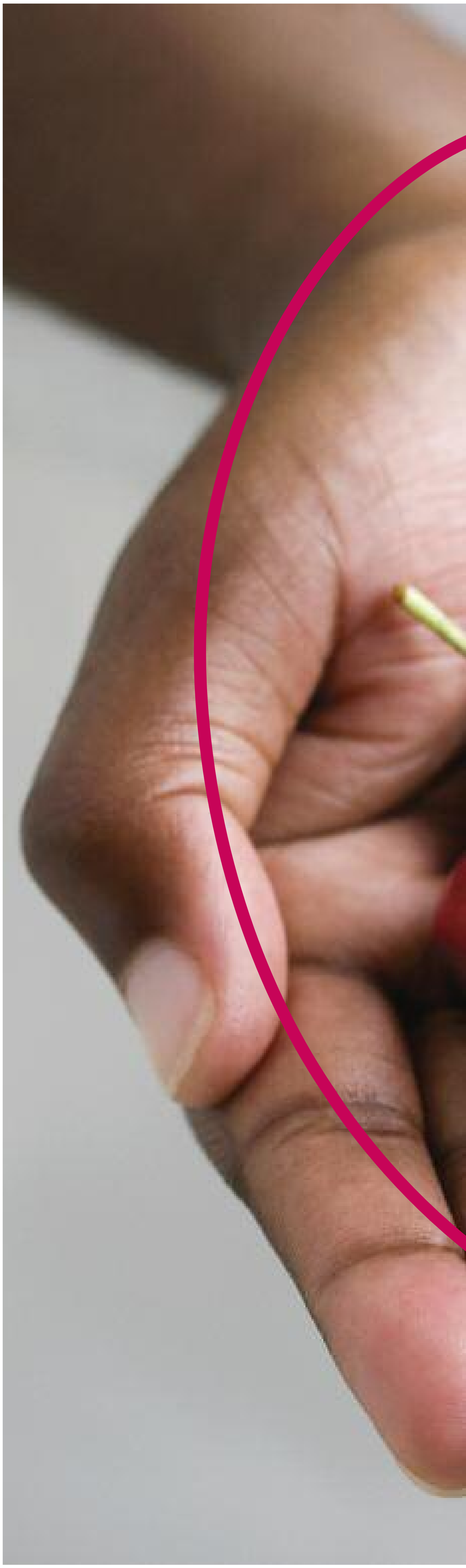
2009 Annual Report

Index



Message from the Chairman

In a year that began with uncertainty about the impact of the international financial crisis on our country the Board of Directors of Millennium bim is pleased to find that the decision to continue our main strategic lines was correct. It was also correct to continue with our main objectives – in particular the expansion of the branch network – whilst continuing to give due attention to managing the risks inherent to our activity.

In the year now ended, Millennium bim maintained its commitment to contributing to the development of the financial sector and the country's economy through innovation, broadening its business base, expanding its access channels and strengthening its solidity. Under the expansion program sixteen branches were opened in 2009, twelve in rural areas and eight in areas that had no other banking establishment, extending banking services to the people living in these regions.

It was yet another positive year replete with victories, where Millennium bim maintained its leadership position at various levels. Nevertheless, it was also a year of major challenges given the global economic crisis. Even though the financial system was immune to the effects of the crises, as it was not exposed to the financial products associated with the subprime crisis, the same cannot be said about external trade where declining exports of some important products meant reduced turnover in significant sectors of the country's economy. This affected thousands of families and small and medium companies throughout the country and had a negative impact on private savings that were already scarce. The situation intensified competition considerably, in attracting Customers' funds in particular.

In an election year and a macroeconomic setting that differed somewhat from previous years, we once again saw substantial and important political and macroeconomic stability in our country due to the correct policies and decisions implemented by the Government and the Monetary Authority that generated total stability and tranquility among Mozambicans.

The Board of Directors of Millennium bim performed its functions rigorously with a strong focus not only on monitoring business but also monitoring and tracking the best international directives on compliance and audit, functions that in society's governance model, report to non-executive social bodies, while always maintaining the total independence of these functions.

In the current setting the leveling effect of the best international practices is a vital factor in competitiveness and the reason why Millennium bim is always mindful and keeps abreast of the most recent practices in corporate governance and International Financial Reporting Standards.

We should mention in particular that the main financial indicators and levels of capital remained robust, reflecting a quite satisfactory year-end solvency of 14.7% (excluding income for the year). Liquidity also remained at a comfortable level within the risk management limits and principles approved for the Millennium Group.

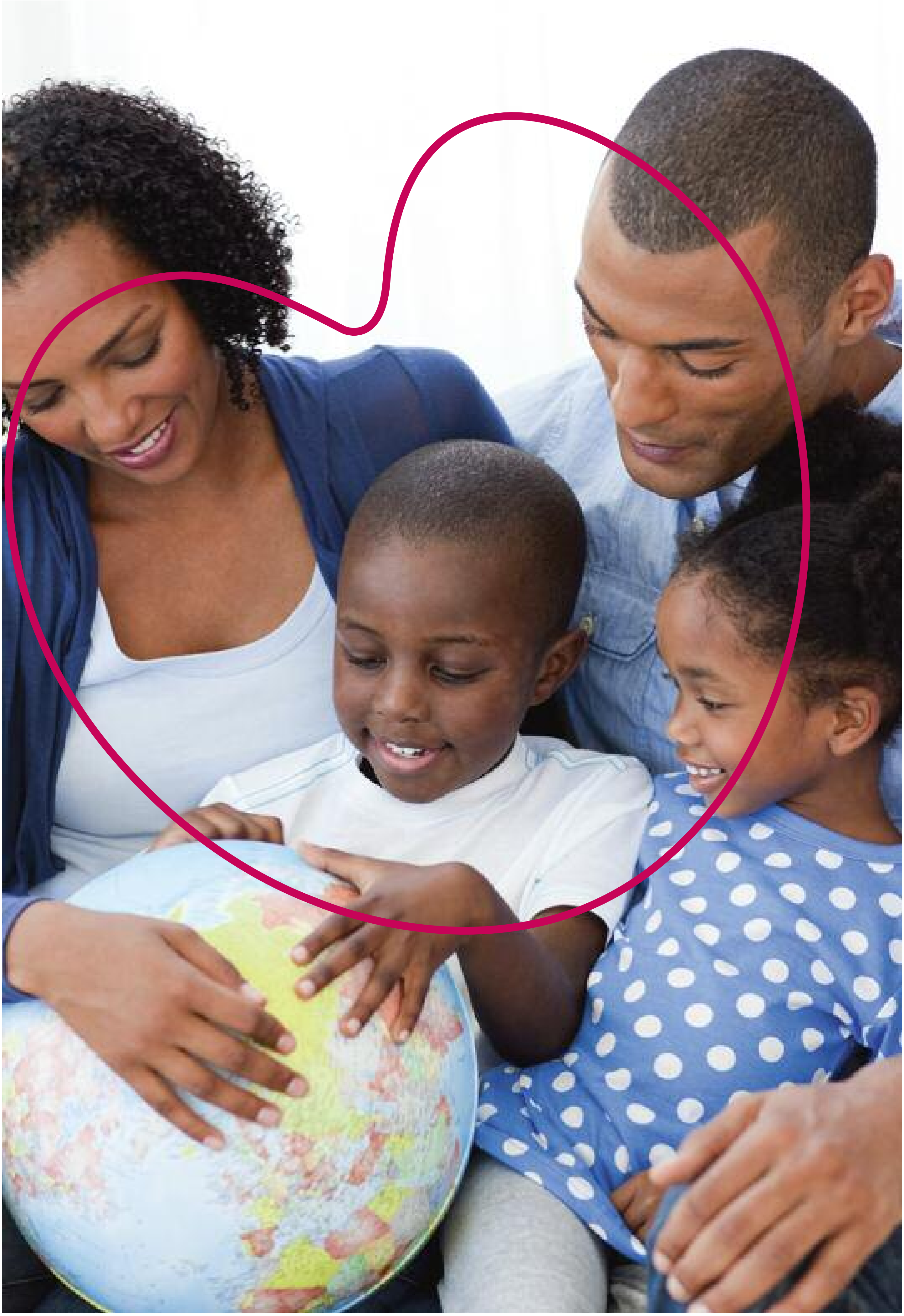
Also in 2009, and in order to provide the bank with share capital compatible with the commitments required by its strategy, the Annual General Meeting held on 25th March 2009 unanimously approved the Board of Directors' proposal on increasing share capital from 741,000,000.00 Meticais to 1,500,000,000.00 Meticais by incorporating free reserves. This demonstrated the Shareholders' strong commitment and emphasis on strengthening Millennium bim and developing the country.

With regard to social responsibility, Millennium bim continued its policy of regular support for social intervention institutions through constant engagement in promoting the well-being of the communities where it operates, with a major focus on young people.

Its efforts were rewarded when prestigious international institutions once again elected Millennium bim as the Best Bank in Mozambique. In 2009 it received awards from "The Bankers" (a Financial Times publication) and "Emeafinance" (Europe, Middle East and Africa). Also in 2009, Mozambican consumers considered it to be the Best Banking Brand. The prize shows that Millennium bim is the bank in which consumers have the greatest confidence, where they recognize more quality and with which they have the strongest emotional relations. This was only possible because our Customers continue to trust our Bank and because we draw our inspiration from the lives of our Customers.

In conclusion, on my own behalf and on behalf of the Board of Directors allow me to express our special thanks to all our Customers, Shareholders, the Authorities and our Employees for their support, confidence, commitment and acceptance of our proposals. They have enabled the Bank to exceed its targets, encouraging us to continue facing new challenges and to work hard to serve all our Stakeholders better.

Mário Machungo
Chairman of the Board of Directors



BIM – Banco Internacional de Moçambique, S.A.

Summary of Indicators (individual basis)

Thousand MZN

	2009	2008	Var. %
Balance Sheet			
Total assets	48,274,966	35,477,276	36.1%
Loans and advances to Customers (net)	27,539,980	17,017,434	61.8%
Deposits from Customers	39,096,265	29,397,513	33.0%
Shareholders' equity and subordinated debt	6,622,978	5,135,300	29.0%
Income Statement			
Net interest income	5,048,631	4,113,848	22.7%
Operating expenses	2,326,963	1,950,702	19.3%
Loan Impairment (net of recovery)	412,521	52,866	680.3%
Other provisions	40,827	38,251	6.7%
Income tax	349,458	316,728	10.3%
Net income for the year	1,918,862	1,755,301	9.3%
Return on average total assets (ROA)	4.8%	5.5%	-0.6 p.p.
Return on average Shareholders' equity (ROE)	36.3%	45.0%	-8.7 p.p.
Efficiency ratio	46.1%	47.4%	-1.3 p.p.
Solvency (Banco de Moçambique ratio)(*)	14.7%	13.5%	+1.2 p.p.
Credit Risk			
Loans and advances to Customers (gross)	28,762,711	17,800,433	61.6%
Non-performing loans for over 90 days / Total loans	0.9%	0.8%	+0.03 p.p.
Non-performing loans / Total loans	1.0%	0.9%	+0.1 p.p.
Loan Impairment / Total non-performing loans	419.9%	486.4%	-66.5 p.p.
Number of branches	117	101	15.8%
Number of Customers (thousand)	706,4	554,9	27.3%
Number of Employees	1,805	1,635	10.4%

(*) Excluding income for the year in question.

Summary of the Report by the Board of Directors

The predominant feature of 2009 was frailty arising from the world economic and financial crisis, an environment where monetary and credit markets were virtually paralyzed. Capital markets accumulated enormous losses, with falling aggregate demand in the private investment and consumption components, historically low interest rates and deteriorating employment indicators around the world. States' budget deficits that threatened the sustainability of public debt, reinforcing the collapse in confidence, were a source of grave concern.

Throughout the year once again there was substantial and important political and macroeconomic stability in Mozambique, due to the correct policies and decisions implemented by the Authorities. The various monetary policy measures included in particular a reduction in reference rates and mandatory reserve rates that stimulated stronger growth in credit to the economy, ensuring that many companies and economic projects were able to meet their financial requirements, remain in business and ensure employment and income for thousands of families.

In a turbulent and challenging year for the financial system, Millennium bim maintained its strategic focus on expanding its branch and ATM network and the profitability of its business. Providing the best possible service for Customers was a constant concern such that in addition to opening new branches Millennium bim totally rehabilitated three old branches in order to improve the quality of its service and attention. The commercial network now has 117 branches and 290 ATM i.e. an additional 41 branches since the expansion program started.

Implementation of the strategy continued, as it was clearly appropriate to the prevailing economic and financial environment and growing competitiveness in the Banking and insurance sector. It involved improving the quality of the service provided and profitability based on prudent risk management, improved operational performance and profitability, growth in all core businesses, and keeping the main financial and liquidity indicators robust with strict respect for the careful and efficient management of capital.

Inspired by its Customers and with priority attention to their needs, there was constant innovation with products that served them all, but segmented, in an attempt to satisfy their expectations and demands. In particular, there were new functionalities in Millennium bim net (internet Banking), products targeting civil servants were launched, partnerships with various economic agents especially mobile telephone companies and partnerships with FEMATRO, ATAXIMA and the Ministry of Transport and Communications, developing a leasing product that targets professionals in the public transport service.

Equally significant were the Agreements signed with the Mozambican government and the country's fuel distribution companies, with the aim of granting the Government a loan to cover total repayment of finance granted by the oil companies to compensate for the difference in the market price of fuel.

Throughout the year Millennium bim consolidated its management culture of eliminating inefficiencies, stimulating growth, defending its market share and its income, and creating value.

To this end the Bank identified, analyzed and addressed growth opportunities, invested in operational and technological changes and in constant training for its Employees, as requirements for profitable and sustained growth. At the same time these measures also prepared the Bank for the various stages of its expansion, while not neglecting the need to strengthen its competitive capacity.

During the year Share Capital was increased from 741,000,000 Meticais to 1,500,000,000 Meticais. Equity also increased by incorporating 75% of the previous year's net income that rose by 31.7%, reinforcing the Bank's solidity.

In 2009 Millennium bim's Net income was 1,918,862 thousand Meticais, 9.3% higher than the previous year. Returns on equity (ROE) fell to 36.3% due to the augmented Equity, and Returns on Assets (ROA) were 4.8%.

Despite the uncertain environment, maintaining a position of extremely rigorous selection and risk management, business dynamism and careful management of financial resources were determining factors in improving asset and financial solidity indicators. The solvency ratio (excluding Income for the year) was 14.7%.

Total Assets reached 48,274,966 thousand Meticais, 36.1% higher than the previous year, reflecting a 61.8% rise in Loans and advances to Customers, and a 30.7% rise in the Securities portfolio supported by a 33.0% rise in Deposits from Customers to 39,096,265 thousand Meticais. This was due to renewed efforts to attract the resources of commercial networks and careful pricing management, associated with innovative and diversified products and services.

Ever since it was founded Millennium bim has valued its social function as a fundamental component of its mission, whether by promoting the professional qualification and personal development of its Employees or by assuming its social responsibility to the community of which it is part, leading and innovating in the practice and expansion of a socially responsible attitude.

The Millennium bim Social Responsibility Program "Mais Moçambique pra Mim" continued, with various activities throughout the year, especially in education, culture and sport, as well as associating with Solidarity movements.

The subsidiary Seguradora Internacional de Mocambique, S.A. maintained its leadership in the insurance market, with a rise of 10.7% in processed revenue. Net income was 208,100 thousand Meticais, 10.7% higher than the previous year.

In the coming year the main strategic directions of Millennium bim and the Seguradora will continue to be the constant search to improve service quality and continued innovation, expanding its business base and working to provide a service of excellence. There will be additional efforts to ensure that the branch and ATM expansion program is implemented as well as rigorous compliance and risk management, in order to maintain profitability and financial strength.

Shareholder Structure

MZN

Shareholders	N.º Shares	% capital	Paid up Capital
BCP Internacional II, SGPS, 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 – 1,589 investors with individual holdings of less than 1% acquired as part of the sale of State shares to the Managers, Technicians and Workers Group (GTT).

Corporate Boards

General Shareholders' Meeting

Chairman: Fernando Everard do Rosário Vaz
Deputy Chairman: Venâncio Mondlane
Secretary: Maria da Luz Pereira Nobre Polónia

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
Deputy Chairman (CEO): João Filipe de Figueiredo Júnior
Deputy Chairman: José João Guilherme
Director (Head of Retail): António Manuel Duarte Gomes Ferreira
Director (CFO): Teotónio Jaime dos Anjos Comiche
Director (COO): Paulo Fernando Cartaxo Tomás
Director: Ricardo David
Director: Júlio Eduardo Zamith Carrilho
Director: Miguel Maya Dias Pinheiro
Director: Rui Manuel Alexandre Lopes
Director: Salomão Munguambe

Macroeconomic and Financial Overview

World economy

The world economy contracted by -1.3% in 2009 (2.8% in 2008) due to falling GDP in the most developed countries i.e. USA (-2.4%), England (-4.6%), Japan (-5.8%), Germany (-4.9%), Russia (-7.0%), France (-2.1%) and Eastern Europe that had a dampening effect on China (8.2%), India (6.8%), and other emerging economies [(1)].

The reversal of the decline as of the third quarter 2009 was due to monetary and fiscal policies involving measures to stabilize the economy through public expenditure and by encouraging consumption, as by the end of 2008 monetary policy was no longer an option. Such measures were common to all countries, including China and India, and the African continent received almost USD 10 thousand million in IMF loans to soften the negative effects of external shocks.

In 2009 first there was recession and then stabilization. It was an extraordinary year in terms of how it evolved and the scale and speed of policy implementation with three prominent, important aspects in the world economy:

- recovery with risks: The USA reversed its falling GDP with unemployment and high levels of family indebtedness. Continued economic stimulus packages were essential to compensate for the fall in private consumption. However, not only in the USA but also in other countries i.e. the United Kingdom, Spain, Greece, Ireland and Portugal, the level of public deficit could require earlier than expected correction measures involving public expenditure and/or tax rates or alternatively, maintaining the current pace of indebtedness and thus increasing the premium risk of default with high public debt costs. In contrast, with large-scale packages and the expansion of extraordinary credit China faces the risk of a price bubble.

- regional imbalances and global coordination: In 2009 the global economy saw a group of deficit countries in the West (USA, United Kingdom, Spain, Italy and others) and surplus countries in Asia and the Middle East. China, with reserves of some USD 2.27 trillion, and other surplus countries where growth was determined by the competitiveness of their exports, should stimulate domestic demand through consumption and gross fixed capital creation, accompanied by corrective foreign exchange measures and stimulus for private consumption, in order to alleviate the commercial deficit of other countries. In a situation where demand does not encourage economic growth and unemployment is high, this process calls for global coordination among the G-20 countries. Emerging countries have participated in various summits, with unanimous declarations of support for economic growth and employment.

- regulation of the financial sector: In 2009 the authorities of France and the United Kingdom, among other countries, implemented banking regulation and supervision measures including the imposition of: (a) a tax on the bonus of banking managers in order to limit exposure to the risk associated with investments in financial products with high short term yields; (b) restrictions on debts in the margin accounts of investors working in stock exchange leverage. These measures are the result of improved performance in the banking sector due to its use of public funds that have enabled the sector to correct the balance sheets of banks with financial problems.

[(1)] Indonesia (4.2%), Pakistan (3.7%) and Egypt (4.7%)

The prospects for 2010 are global growth of around 3.2% driven by China (8.6%), with a timid recovery in the euro zone (0.6%) and moderate growth in the USA (2.4%). Growth in China will benefit countries that export raw materials and energy products (Africa, Brazil and Australia), but there is still considerable uncertainty about the pace of growth in countries where private consumption is weak and unemployment is high. Correcting this through savings will produce a fall in aggregate demand.

United States of America

A roughly -2.4% fall in GDP is expected in 2010 due to the persistent effects of the financial crisis and the linkage between economic activity and anomalies in financial markets. GDP fell -6.4% in the 1st quarter of 2009, easing off to -0.7% in the second quarter with growth in the third quarter (2.2%). This recovery is due mainly to short-term stimulus packages such as the "cash for clunkers" program that resulted in the sale of 700,000 vehicles, increased public expenditure and the injection of liquidity(2) into the financial sector. They drove private consumption (+2.8% and +2.0% in the first two quarters), while at the same time inflation grew from -1.3% to 1.6% (between the third and fourth quarters), following a slight fall in unemployment from 10.2% in October to 10.0% in November.

The financial sector showed signs of recovery with rising indexes in share markets(3) and a fall in the spreads of assets with risk. Nevertheless, at the end of 2009 two deficits in the USA were larger: (a) public accounts: about 10% of GDP, the direct result of increased public spending such as the measure to attack recession, counteracted by a fall in family deficits, that were much higher at the end of 2007 due to the price bubble in the real estate sector; (b) external balance: the balance on the current transactions account was 3.0% of GDP (up to October 2009).

It is expected that 2010 will see economic growth (+2.4%) and that the money market reference rates will not change. At the same time there is still some uncertainty about the choice of policy mechanisms to reduce the deficit, i.e. whether it will involve expenditure or revenue. In addition, because the USA continues to be an extremely important economic power in the international economy, in 2010 the interaction of deficits will be of crucial importance, in particular the correlation between the dynamics of public counts and the external balance, which to a large extent depends on the policies of surplus countries in Asia.

Europe

The euro zone recorded real GDP growth of -4.0%, an economic contraction that was due to falling consumption and private investment in an environment characterized by difficulties in granting credit even after fiscal stimulus measures, injection of liquidity into the markets and the nationalization of some banks. Nevertheless, the ECB refinancing rate is not expected to rise above its current 0.1%.

As in the USA, in the third quarter 2009 there were signs of economic recovery despite continued unemployment, excess stocks, deflation and inequalities between various countries:

a) on one hand, Germany, based on an export model and State support for the retention of the labor force in some companies through a special arrangement, and France, dominated by a more social model with less exposure to the risk of financial markets;

b) on the other hand, the group of deficit countries (Portugal, Ireland, Greece and Spain) with a more unbalanced public finance situation that requires future fiscal consolidation with consequences for public expenditure capacity or future indebtedness.

(2) Quantitative Easing (QE) including the direct purchase of securities and measures in the real estate market to drive house sales through government institutions (Freddie, Fannie).

(3) S&P gains were 24.7% on 29 December compared to the same period the previous year.

In the United Kingdom, outside the Euro boundary, the financial and economic crisis had one of the largest reductions in GDP, an estimated -4.6%. Inflation was 2.1% and unemployment 7.9%[(4)], while the external balance indicates a current account deficit of some 2.0% of GDP and a negative public accounts balance of around 14.0% of GDP.

Japan

The economy contracted sharply, producing an estimated real -5.8% fall in GDP, with excess capacity causing falling prices and salaries, a public deficit (-8.5%)[(5)] and the Bank of Japan expected to maintain its reference rate at 0.1% in 2010 in the face of persistent deflation. Nevertheless, in 2009 the current balance remained positive at about 2.0% of GDP.

The authorities are banking on a rise in family consumption that could lead to cuts in expenditure on infrastructure and policies that encourage population growth.

China

Considered one of the countries leading the global recovery, China recorded growth (y/y) of 8.9% of GDP in the third quarter 2009 (7.9% in the second quarter). This was driven by domestic demand due to expenditure arising from a fiscal stimulus package (USD 586 thousand million), the provision of consumer credit[(6)] and accumulating stocks. Estimates for the end of 2009 indicate that GDP will have grown 8.2% in 2009 with annual inflation of 0.1%.

The trade balance fell due to cooling demand in the main destination countries. Exports fell by 23.4% (y/y) in August and 15.2% (y/y) in September, producing a 39.2 thousand million dollar reduction in the trade surplus in the third quarter, the lowest since 2005.

The behavior of exports, associated with some fiscal measures intended to promote them, involve the controversy about the CNY[(7)] exchange rate that was "devalued" by about 10 to 20%, tied to the US dollar. It is expected to rise in value in order to reduce regional imbalances and accelerate the move towards convergence of the external balance with deficit countries.

Africa

In 2009 the African continent suffered the effects of the global economic and financial crisis through its trade with more developed countries and falling DFI[(8)], implying a fall in reserves that in some cases resulted in the introduction of foreign exchange controls.

It is estimated that growth in Africa was around 1.1%[(9)] (0.6% according to the IMF), with average inflation of round 10% and a current deficit of 1.7% of GDP. As on other continents, African countries introduced fiscal stimulation packages with the help of the IMF. Its estimated USD 10 thousand million package allowed the deficit to rise but cushioned the negative impact of the crisis. It was thus possible to promote domestic demand and, using the finance for external shocks, maintain their reserves and foreign exchange management at acceptable proportions.

(4) October 2009
(5) Fiscal year starting April 2009
(6) Consumption and investment credit. Estimates of new investment up to July were 1.13 trillion USD, with an average M2 variation (y/y) of 28.4%, a sign of an expansionist monetary policy.
(7) Chinese Yuan
(8) DFI – Direct Foreign Investment
(9) SCB research

As regards monetary policy, there was a consensual reduction in reference rates, mandatory reserve rates and the liquidity rate that lessened the flight of commercial bank resources in order to stimulate credit for the private sector and consumption. The largest intervention in the financial system was in Nigeria, with measures to recapitalize five commercial banks that the Nigerian Central Bank (NCB) considered to be on the verge of bankruptcy.

With the recovery of the global economy there are mixed signs of economic growth in sub Saharan Africa and at the same time that optimism is returning with the appearance of investments in this market, although in most countries this has not been translated into more effective economic growth. Consequently, rising global demand for the export commodities of African countries will mean falling risk levels for economic activity:

- oil, that benefits exporters more than importers, shows signs of an end to the drainage of reserves in countries like Nigeria, Angola, Gabon and Sudan with expectations of more investments in this sector in other countries such as Mozambique, Ghana and Tanzania.

- as regards base metals, the depreciation of the US dollar, world growth prospects, stronger demand by China and the probable closure of some industrial units in that country for environmental reasons, made it possible to correct the trade balance with immediate consequences for reserves and the fiscal and foreign exchange flexibility of most exporting countries, such as Botswana, Namibia, South Africa, DR Congo, Zambia and Mozambique (aluminum), after a more gloomy start to 2009 due to the sharp fall in the price of their main export product.

- agricultural products that, due to adverse climate conditions in Asia (in particular on the Indian subcontinent) and on other continents, meant higher export rates that had an immediate effect on the family sector.

For all these reasons, the currencies of the African countries associated with certain commodities – such as the Zambian Kwacha (KMK) driven by the price of copper, the Botswana Pula (BWP) diamonds, the Nigerian Naira (NGN) oil, among other cases – reversed their depreciation trends due to the fundamentals of external trade, including the currencies of countries with a diversified export base such as Kenya and Ghana. In addition, although African stock markets are not very developed the desire to invest is clearly resurfacing, with clear signs of improvements in stock exchange values after a negative trend due to the credit crunch in more developed countries.

South Africa

Following successive reductions in the first and second quarters of 2009 (-3.0% and -6.4%) GDP grew by about 0.3% in the third quarter. It is estimated that the annual reduction in GDP was about -1.9% in 2009 (3.1% in 2008). The recovery was due primarily to public expenditure on infrastructure in the energy, telecommunications and water supply (4.2%) sectors, the construction of stadiums and roads (6.1%) and public services (4.9%) producing growth in the industrial sector (7.6%). However, weak private consumption[(10)], affected by unemployment (over 25%) and family indebtedness, meant falling activity in the commerce and finance sectors by 1.1% and 1.5% growth respectively in the third quarter.

Nevertheless, inflation has been falling since the beginning of the year – from 8.1% in January to 5.8% in November (y/y) – due to relief on energy prices especially up to the first semester, a situation that was reinforced by the stronger ZAR in the imported goods component. Consequently, inflation entered the SARB[(11)] band limit of between 3 and 6%.

Public accounts suffered from the consequences of the contracting economy, with less revenue than anticipated, and it is expected that the deficit will be double the estimates presented in February (-3.8%) reaching a consensus

(10) It fell 2% in the 3rd quarter whereas public consumption grew by 7.5%.
(11) South African Reserve Bank

level of around -7.1% in fiscal year 2009/10. Indeed, initial estimates were based on economic growth of some 1.2% whereas it is expected to fall by -1.9%.

With the gradual recovery of the global economy, there was a clear trade balance surplus of some 21.1 thousand million Rands in the third quarter 2009, while the current account balance reduced the -8.8% of GDP deficit at the peak of the crisis in 2008, to about -3.2% in the third quarter of 2009. The size of the deficit was due to dividend payments to non-resident investors and other transfers abroad, on the general invisibles balance. Finance for the current deficit was assured by the net entry of capital, in the form of DFI and ongoing investments as well as the issue of offshore public debt securities based on forecasts of moderate risk in emerging markets.

Forecasts for 2010 indicate economic growth of 2.3%, below the medium term trend, with estimated inflation within the SARB band limits (3 - 6%) enabling the 7.0% reference rate to be maintained[12]. The recovery of global growth is crucial for this economic performance as well as continued flows of external capital and expectations of higher tourism revenue during the World Cup. In contrast, the most likely dampening factors are associated with constraints in electricity supplies and trade union pressure to increase wages and spend more on fighting poverty and social inequality. This could lead to deteriorating public accounts and higher inflation, jeopardizing the competitiveness of exports in a situation where the ZAR is already quite strong.

Economy of Mozambique

Economic growth, output and prices

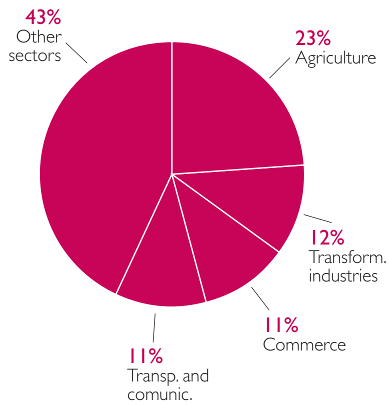
It is estimated that GDP grew by some 6% in 2009 (6.8% in 2008)[13]. At the beginning of the year it grew by 5.9% in the first quarter in a situation of cooling external demand that had a negative impact on exports, tourism and DFI flows that slowed the pace of growth seen over the last five years.

Growth in the second and third quarters was 6.1% and 6.5% respectively in a more benign scenario of a recovering global economy that was reversing the falling GDP in more developed countries. In the first semester growth was driven by the primary sector (12.1%), supported by agriculture (12.8%) and mining (8.2%), a trend that continued in the third quarter (8.9%) with variations of 9.6% and 5.6% respectively.

The secondary sector made a crucial contribution to output, with 7.7% in the first quarter driven by growth in the transforming industry (9.5%), electricity and water (9.2%), associated with the recovery of the price of aluminum and solutions to constraints on energy supplies to South Africa. In contrast, in the first semester the severity of the crisis led to a fall in the tourism sector (-7.7%) and transport and communications (-18.2%) and in the third quarter a fall in the transforming industry (-5.2%).

As regards price trends cooling world demand was softened by an easing of food and fuel prices, in particular the fall in the price per barrel from about 144 USD in August 2008 to 44 USD in January 2009. This produced negative monthly variations in the overall price level, a trend interrupted in September[14] as the global economy picked up.

Sector contributions to GDP
(Third Quarter cumulative 2009)

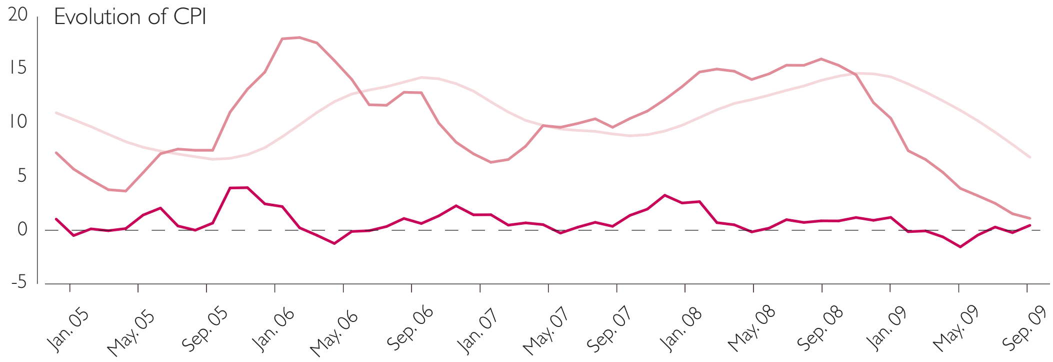


Source: INE (Instituto Nacional de Estatística)

[12] Repo rate, while the prime rate was around 10.5% (15% in 2008)
[13] Following the Government's upward revision after 6.5% growth in the 3rd quarter, producing a cumulative 6.1%. (INE, Preliminary National Accounts: III Quarter 2009)
[14] The July change (+0.23%) was countered by a fall in August

The recovery meant rising oil prices that were already 77.9 USD a barrel in the first week of December. By November 2009 the INE identified homologous inflation of around 2.5% and an average rate of 3.4%, with contributions by the food and beverages prices in particular.

Evolution of Inflation



Source: INE

Note: In December: homologous variation 1.97%; Monthly var: 2.06%; 12 month average var: 3.69%.

The current context of rising demand for commodities in the international market, combined with the delayed effect of the fall in the external balance on the country's reserves, could imply stronger inflationary pressure with a possible upward revision of domestic prices.

The following table summarizes some economic indicators over the period 2004-2009:

Macroeconomic indicators

	2004	2005	2006	2007	2008	2009E
Real GDP (a.v.r.)	7.5%	6.2%	7.9%	7.5%	6.8%	6.0% [a]
Inflation (average v.r.)	12.6%	6.4%	13.3%	8.2%	10.3%	3.4% [b]
Money supply (a.v.r.)	6.1%	22.0%	20.9%	25.0%	26.0% [c]	33.8% [c]
Current account balance (% of GDP)	-9.5%	-12.0%	-8.9%	-9.2%	-12.2% [c]	-10.9% [c]
Budget balance (% of GDP)	-4.9%	-5.8%	-2.0%	-5.3%	-2.3% [c]	-5.6% [c]
Exchange rate MZN/USD end of period	18.89	23.06	25.97	23.82	25.50	29.19
% MZN/USD exchange rate	-20.8%	22.0%	12.6%	-8.3%	7.1%	14.5%
Exchange rate MZN/ZAR end of period	3.38	3.62	3.82	3.50	2.72	3.96
% MZN/ZAR exchange rate	-4.0%	7.1%	10.9%	-8.4%	-22.3%	45.6%

Notes:
E – Estimates, except Interest Rate.
[a] Government/IMF, 5.2% by EIU, 5.8% BMI Africa.
[b] INE, until November 2009.
[c] Real in December 2008 and target for December 2009 (Banco de Mocambique/IMF).
BTC – Current Transactions Balance.

Public accounts

In 2009 expenditure could reach 98 thousand million Meticais, about USD 3.3 thousand million and equivalent to 36% of GDP. Allocations for infrastructure, education, health and good governance had the greatest weight in total expenditure under the PARPA.

As regards the structure of allocations operating expenditure will account for over 50% (56.4% in the first semester) followed by investment expenditure of some 30% (32.1% in the first semester).

In regard to trends, donor commitments (USD 485 million in 2009 and USD 472 million in 2010) provide more stability in financing the future deficit, while at the same time it is expected that coverage by own revenue will rise from 45.7% in 2008 to 55.7% in 2011.

These targets will be possible given ongoing measures to expand the tax base, e-SISTAFE, new fiscal areas, the implementation of the Single Window, the introduction of a new Local Government Tax System, Tax Courts and the Simplified Tax for Small Taxpayers.

However, salary adjustments in the public sector, public expenditure to mitigate the effects of the crisis, expenditure under PARPA and the food program, could result in a larger deficit than expected (-8.0% of GDP).

External balance

The current account deficit was USD 400 million in the first semester 2009 (USD 332 million in the same period in 2008), with a 13.9% reduction in exports due to a sharp fall of some 50% in the price of aluminum between July 2008 and the second quarter 2009, as well as volatile prices for traditional exports that fell overall in homologous terms (semester).

The balance on transport and communication, travel, construction services and payments for technicians had a deficit of USD 223 million. However, exports of electricity to South Africa and Zimbabwe rose by 8.9% and 16.2% in the first two quarters of the year.

In a scenario of falling export volumes there is clear dynamism in the automatic rebalancing mechanism that produced a 14% fall in imports over the same period, as well as a reduction in the remuneration of factors of production arising from investments by non-residents[15].

Unilateral transfers to the Central Administration fell by 36.7% cushioned by higher inflows of funds for special programs and sectors[16]. Financing of the current deficit was supported by a lower than usual inflow of DFI (USD 147 million), external loans and IMF aid packages under the funding program to help African countries mitigate the effects of the financial crisis and the global economy.

[15] Dividends (83%), Interest (-62%).
[16] Health, energy, water, transport and communications.

In 2009 the current deficit was an estimated 10.9%. The evolution of the main accounts in the current account balance sheet is summarized in the following table.

Current Account Balance

Million Dollars

	2008 S2	2009 S1
Export of goods	1,224.8	743.8
Import of goods	-1,597.7	-1,377.6
Export of services	237.7	263.4
Import of services	-440.6	-485.5
Factor remuneration received	87.5	100.0
Factor remuneration paid	-325.2	-96.4
Transfers from abroad	521.4	488.3
Transfers to abroad	-40.3	-35.9
Current account balance	-332.3	-399.9

Source: Banco de Moçambique.
S1 – 1st semester; S2 – 2nd Semester

Mozambican financial system

The benign evolution of inflation gave the monetary authorities more room to maneuver in managing liquidity in a situation where credit for the domestic market is important given the reduction in external funding, and also foreign exchange management due to the risk of reserves being drained by the growing deficit on the current transactions balance.

Money supply (M3) rose by about 33.8% (October) following state public sector operations and bank credit while money supply in November was 223 million Meticais above target, with a balance of 22,881 million Meticais.

By November 2009 credit intended to dampen the reduction in external funding reached 66,914 million Meticais, an annual rise of 56.4%. Credit was mainly in the transport and communications, energy and transforming industry sectors and also in the family segment that includes credit for consumption and mortgages. However, in order to maintain the inflation gains, the authorities drained liquidity from the system through Treasury Bills, repos transactions in the IMM[17] and the foreign exchange market, such that 927.6 million Meticais were sterilized[18].

At the end of December 2009 the financial sector had international reserves of USD1.8 thousand million. Through interventions in the foreign exchange markets Banco de Moçambique sold some USD 798 million (about USD 668 million in 2008), dampening the Metical depreciation with a cumulative rate of 14.5% (7.1% in 2008). Depreciation of the Metical was strongest against the Euro (17.3%) and the Rand (45.6%).The South African currency consolidated its position with the rising value of gold in international markets, the re-establishment of capital flows for investments in the transaction financing portfolio in certain sectors of the economy and also through rising public offshore debt.

[17] IMM – Interbank Monetary Market.
[18] Banco de Mocambique Communiques 12/2009, 07/12/2009.

During the year Banco de Moçambique issued the following Notices:

(i) **Notice 1/GBM/09: Interbank Monetary Market** – adjusting the rules regulating the IMM to the system for establishing reserves;

(ii) **Notice 2/GBM/09: Market Transactions System** – adapting the regulations governing the transactions system to criteria for institutions' adherence to IMM;

(iii) **Notice 3/GBM/09: Mandatory Reserves** – approving regulations on the calculation and establishment of Mandatory Reserves, adjusting the coefficient for mandatory daily reserves from 9.0% to 8.5%;

(iv) **Notice 4/GBM/09:** Establishing services for handling complaints, requests for information and suggestions;

(v) **Notice 5/GBM/09: Establishing the System of Commissions and Other Charges** – part of the Banco de Moçambique's efforts to regulate the duty of Credit Institutions to provide information in order to permit access by system users to the prices and conditions of the services for which they sign contracts. It promotes transparency and helping to maximize the objective of spreading minimum free banking services to the economic agents and population in general;

(vi) **Notice 6/GBM/09: Mandatory Reserves** – amendments to regulations and coefficient for daily mandatory reserves reduction from 8.5% to 8.0%, with changes in incidence, restricting it to deposits by the State and the economy;

(vii) **Notice 7/GBM/09: System for Minimum Regulatory Provisions** – subjects credit institutions to strict controls in order to guarantee healthy and prudent management; to take effect in 2010;

(viii) **Notice 8/GBM/09: Regulations on the Subsystem for Paying Wholesale Transfers in Real Time (RTM)** – establishes principles and rules for the establishment and operation of the subsystem known as the Real Time Metical (Metical em Tempo Real – MTR).

In February and July Banco de Moçambique decided to lower its Interbank Monetary Market intervention rates. It reduced the Permanent Lending Facility (PLF) by 150 pb, to11.5% and the Permanent Deposit Facility (PDF) by 400pb, to 3.0%. This encouraged more dynamic repo operations in the IMM and a scenario of lower interest rates in commercial banks' transactions with their Customers.

With a tendency for inflation to rise despite more flexibility on the part of monetary authorities by reducing the PLF, the interest rate on liquidity exchange rose from 7.83% in October to 7.95% in November. In addition, rates that act as a benchmark for the cost of capital in the private market fell by 2%: the rate for TB with 91 day maturity (9.56%) and 364 days maturity (11.0%).

These measures made room for additional expansion of credit to the economy, ensuring that many companies and economic projects could satisfy their financing needs, so they could carry on working and ensure employment and incomes for thousands of families.

Throughout the year there was strong intervention by Banco de Moçambique in the exchange rate interbank market with weekly sales of dollars through auctions and also through bilateral interventions with commercial banks. This created a degree of stability in the exchange rate.

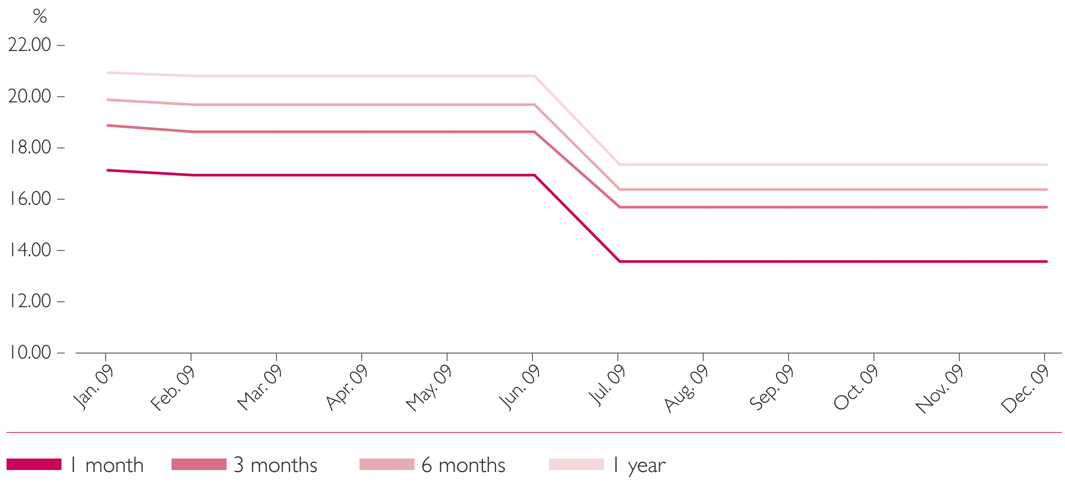
The year 2009 saw the launch of new financial instruments in the IMM: the Reverse Repo – sale with repurchase agreements between financial institutions with bilateral transactions. In addition, Banco de Moçambique decided to reduce the coefficient of Mandatory Reserves by 50 pb to 8.0% and change its incidence, limiting it to deposits by the State and the economy. This measure is in keeping with its strategic objectives of closer alignment with the average coefficient in SADC countries (excluding South Africa), and of providing more stimulus for credit institutions to finance the economy using domestic resources.

In the capital market, the pace of Stock Exchange transactions for the year ended was the same as in previous years, with few transactions in the secondary market. Of particular note was the issue of five-year Treasury Bills 2009 and shares in the Companhia Mocambicana de Hidrocarbonetos (CMH) were quoted in the exchange.

During the year the Banco de Moçambique's policy of intervening in the IMM was as expected, with the central bank auctioning dollars and changing its policy on the sale of dollars to a daily and bilateral basis.

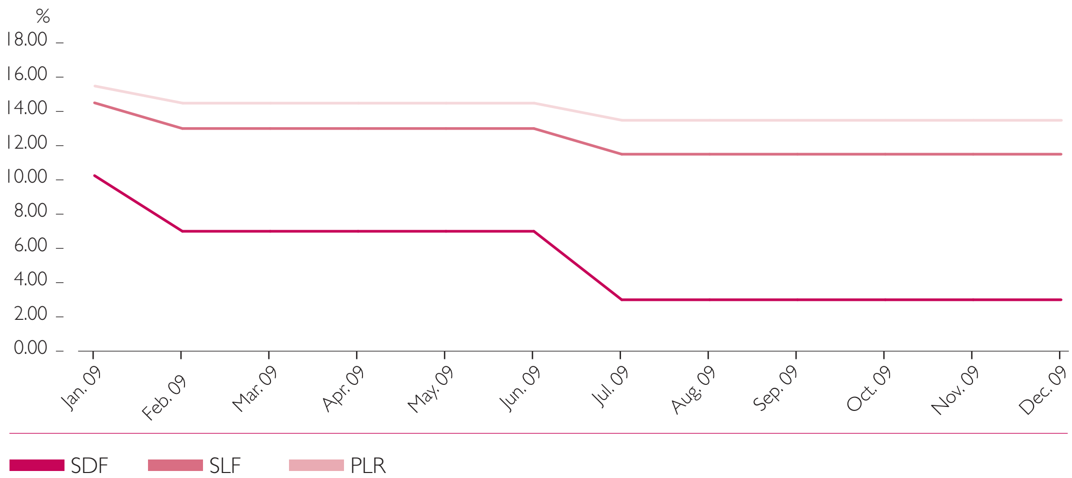
In 2009 the Maibor rates in the interbank monetary market were as follows:

Maibor – MZN



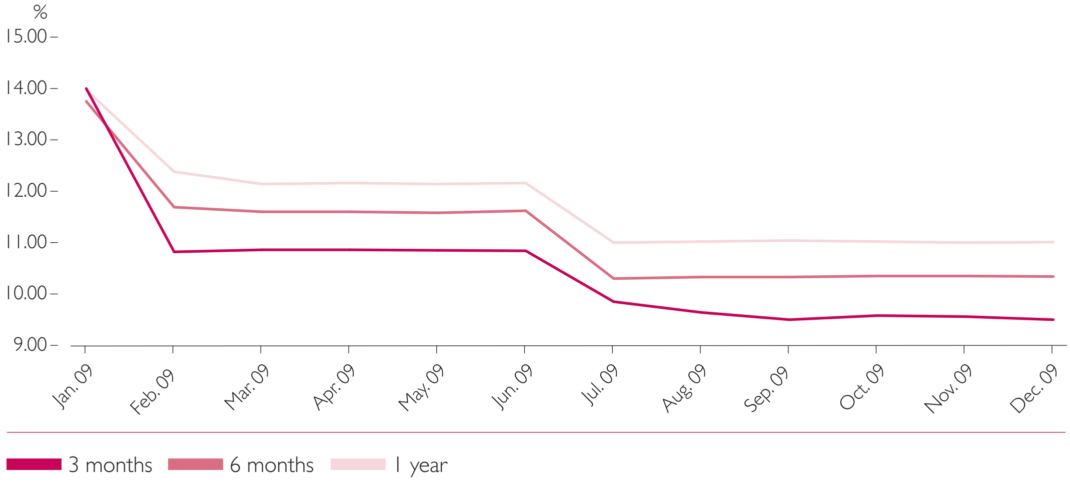
In 2009 the Banco de Moçambique's intervention rates: SLF – Standing Lending Facility, SDF – Standing Deposits Facility and the PLR – Prime Lending Rate were predominantly as follows:

Intervention Rates – MZN



The rates for 3, 6 months and 1 year Treasury Bills were as follows:

Treasury Bills – MZN



Millennium bim Activities

Employees

Human resources management continues to be one of Millennium bim's fundamental pillars. It is well aware of the need for professional fulfillment opportunities and the importance of its team of Employees working together to develop the institution. It sees their training, development and accountability as strategic priorities, essential elements in the service excellence provided by the Bank and to ensure an efficient and dynamic operation.

Engagement, a responsible attitude, valuing work and constant training are part of a set of practices that contribute to an appropriate personnel management policy based on the well-being of Employees, ensuring adequate health, hygiene and safety services, in the workplace.

In 2009, 247 new Employees were admitted, about 81% for the commercial area in response to the branch network expansion program now with a further 16 new branches, and ensuring more efficient and dynamic service delivery in both the commercial and the business support fields.

At the beginning of the year, "Quality Improvement" teams were created to identify vulnerable areas and implement training initiatives to build qualifications appropriate to the Millennium bim strategy of delivering quality service, consolidating its market leadership, operational efficiency and commercial effectiveness.

In addition to various external courses, there were 11 training courses and nine courses in simulated branches in Maputo, Beira and Nampula for 352 Employees.

Under functional approach, where programs are linked to the specific needs of each function and business area, the "Quality Improvement" teams considered that a greater emphasis should be placed on refresher courses covering products and services. These covered, in particular, training in credit operations, documentary credit and other products in the foreign trade area, involving 306 Employees.

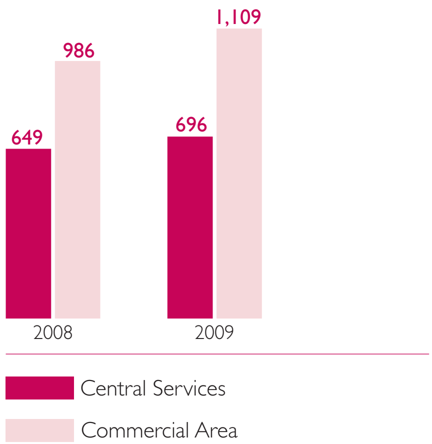
Furthermore and given the highly competitive environment, training was done for specialists in the prime branch network, where the strategy relies on the constant improvement in the Bank's value proposition for this segment which includes private banking Customers with a stronger involvement with the Bank.

About 864 Employees i.e. roughly 90% of Employees in this field successfully attended the third Integrated Training Cycle on the Bank's products and services focusing on the commercial area.

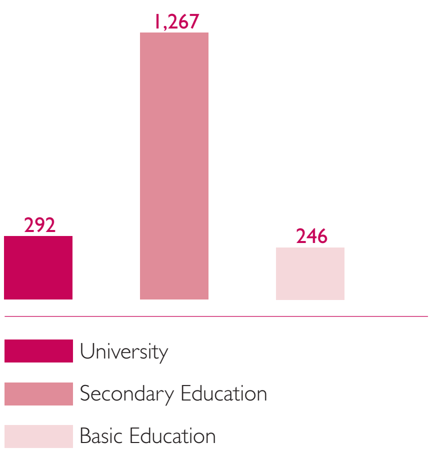
The Corporate Banking area received behavior and leadership training as well as training in aligning practices intended to improve service levels and ensure consistent performance by members of the commercial and operational teams. Work in the commercial area also included obtaining greater specialization and seeking more effective responses, with specific training on the economic and financial analysis of companies.

Twenty three Employees attended various specialist training courses abroad: in IT, Dealing, Retail Banking, Visa, Financial Modeling, Audits of IT Systems, Econometrics, Western Union, Islamic Finance Engineering and Fraud and Money Laundering.

Number of Employees
Areas of activity



Employees' education



Business Areas

Taking effective advantage of business opportunities, the ongoing branch and ATM expansion program, segmentation of the network and expansion of the Customer base, supported by innovation and the constant search to improve quality, were the main strategic pivots in 2009.

Through Notice 4/GBM/09 Banco de Moçambique stipulated that as of 2009 Credit Institutions must establish services covering assistance, complaints, requests for information and suggestions. However, Millennium bim already has a Customer Service Centre (CAC) that was established in 2003. The purpose of the service is the efficient management of Customers' complaints and proposals and each contact is considered an opportunity to correct inefficiency, gain Customers' confidence and provide them with a timely response. It enables the causes of potential problems to be identified and the respective solutions implemented effectively and rapidly.

Millennium bim's proactiveness in the foreign exchange market has resulted in taking advantage of business opportunities associated with commercial transactions between the Bank and its Customers. It encourages them to seek out the mechanisms provided by Millennium bim in order to achieve more and better operations with added profitability.

Promoting and encouraging interchange and growth in the commercial relations between China, Macau, Hong Kong and Mozambique an Memorandum of Understanding was signed with the Bank of China. The aim is to strengthen correspondent banking relations between these two institutions and enable the Bank to be the privileged contact for the Bank of China in Mozambique.

The Bank's commitments in achieving a closer relationship with its Customers continued with the "Millennium bim Meetings" that discuss with Customers and local communities diverse topics based on the Bank's activity and finding the best solutions to the specific needs of each Province.

Once again the Bank's 5th Millennium bim Economic Conference reflected its commitment and responsibility in developing, modernizing and strengthening the financial system by promoting discussion on current topics. Entitled "Africa's Prospects after the Crisis", it was attended by national and foreign dignitaries from various parts of the world and there were two themes: "Economic Development in Africa after the Crisis" and "Fighting poverty in Africa in the Light of the New International Economic Order".

Ethics and responsibility in the sense of making a difference over and above income based results, the excellence in the sense that only the best is acceptable, and the Customer-based focus, will continue to underlie the Bank's activities in the new competitive environment, supported by its commitment to an efficiency ratio as a point of reference for the sector and stricter discipline in managing financial resources.

Retail banking

Maintaining intensive commercial activity – by launching various innovative products and services, and seeking financial solutions that have a dual effect on loyalty and profitability, comprised the main vectors in 2009.

The segmentation of the network continued, as the aim of Millennium bim's retail banking is to satisfy the financial needs and expectations of Customers who value innovation and speed. The so-called mass market Customers and prime Customers, whose specific interests and service needs justify an added value proposal based on personalized assistance and a conducive environment, were amongst the reviewed segments.

The network expansion program continued, with 16 new branches of which 12 are in rural areas and 8 of these in areas that previously had no banking institution, thereby extending banking services to people living in these regions.

New branches were opened in the following areas:

- Chiúre and Cariacó – Cabo Delgado;
- Mandimba and Cuamba – Niassa
- Furancungo and Dómuè – Tete;
- Nicoadala – Zambézia;
- Chimoio – Manica;
- Gorongosa – Sofala;
- Inharrime, Inhassoro, Quissico, Maxixe and Homoíne – Inhambane;
- Tavene and Bilene – Gaza;

In addition, three old branches were totally rehabilitated, with more space, a modernized image and thus better conditions and quality of assistance.

Improvements to the branch network continue by reducing the transactional component of the branches. New functionalities have been developed: in the Internet banking "Millenniumbim net" telephone banking "Linha bim" and mobile banking "Millennium sms". These involve in particular: money reinforcing/liquidating term deposits, credit card payments/limit increase and transfers between accounts in different currencies. They permit a focus on a pro-active commercial strategy, reducing the administrative burden of branches whilst adding convenience to the Customer.

The emphasis on electronic banking, creating alternative quality channels and giving priority to the concept of accessibility and availability in the countrywide branches network, expanding the stock of ATM and POS and replacing older ones or those with less capacity, were a strategic priority throughout the year.

The competitive environment was characterized by substantial competition in the main business vectors, with particular focus in consumer credit and attracting funds. Owing to its innovation and quality as well as attractive and competitive offers, Millennium bim is the market leader.

One of the main products launched in 2009 was an innovative offer that targeted the segment comprising doctors, nurses, teachers, lawyers, the police force, firemen and all those who serve the public good and contribute to the development of Mozambique. The product "Vantagem Funcionário Público" (Civil Servant Advantage) is a complete and competitive product with unique conditions.

Ever attentive to developments in the market, the price of commissions and ATM withdrawals, foreign trade transactions and interest rates on deposits were made more attractive.

Process improvements in the analysis and decision making on granting of loans, whilst maintaining rigorous and attentive risk management standards, resulted in more loans being granted, yet maintaining excellent portfolio quality indicators.

In order to promote the growth of the market in Mozambique a credit line "Fundo Empresarial da Cooperação Portuguesa" (FECOP)[(19)], was established to finance the investment projects of small and medium Mozambican companies in the provinces of Maputo, Sofala, Nampula and Cabo Delgado.

Renewed efforts were made to attract and address new areas with greater commercial focus, dynamism and sales. After rigorous identification of the needs of specific Customer segments, a new leasing product was launched "Novo taxi leasing Millennium bim"[(20)].

[(19)] Portuguese Cooperation Entrepreneurial Fund.
[(20)] New Millennium bim taxi leasing.

Another pioneer market initiative was the launch of a mobile telephone offer with exclusive preferential conditions for Millennium bim Customers. A number of partnerships and protocols were established with various economic agents, promoting consumer credit and re-affirming the Bank's commitment to supporting its Customers' decision making. Three of these products were the "CNV Home Centre" providing access to loans to buy furniture over 18 months with 0% interest, the CNV Golden travel CAN 2010 and the CNV Holidays with Pestana Hotels.

Efforts to expand the network of branches and ATM, commercial dynamism and the offer of innovative products and services produced a substantial increase (27.3%) in the number of Customers to 706 thousand, reflecting the market's continued trust in Millennium bim.

Intensified cross-selling as a transverse vehicle for loyalty and improved Customer service continued to be a priority throughout the year. Initiatives included Personal Accident Insurance in debit cards.

Corporate and Investment Banking

The Corporate network strategy is based on constant improvements to the Bank's proposition in its offer of specific products and services for this segment, through the technical and behavioral competence of Customer managers and by meeting the Customer's expectations as to service with quality and professionalism.

High standards of service quality, total control over the products and services it offers, readiness to identify, analyze and build appropriate solutions for this segment and to help consolidate its market share, are the strategic approaches in this network.

The main focal points of corporate activity throughout the year were: regular visits to Customers, accompanying them, advising them and thus anticipating their needs and problems; the judicious placement of the loan granted, and taking on risks that do not compromise the Bank's sustainability. All this was supported by behavioral and modular training for managers.

Implementation of the cash reception and payment service had a strong impact on Customer satisfaction. By removing these operations from the Retail Branches where they used to take place, a more rapid and efficient service was provided.

Greater use of the Millennium bim net (internet banking) and bringing the Payment and Collection System (PCS) closer to Customers, supported by effective post-sales service helped to improve the mass payments service, freeing the back office from heavy administrative burdens. In addition, during the year Customers started receiving information directly by e-mail on debits and confirmation of payments involving transactions abroad.

Efficient coordination between commercial areas as a vehicle for optimizing service quality, intensive cross-selling combined with strong team commitment to implementing certain operations with a strong impact, enabled this segment's 2009 objectives to be achieved. The agreements signed with FEMATRO and the Government associated to the team commitment to achieve strong impact on operations led to increased business.

Investment Banking includes credit risk and syndication, financial services and capital markets as well as other activities of this kind, in particular business assessment, procurement of partners and structuring and setting up medium and long term financing.

Within the credit risk analysis and syndication of Investment Banking, the vast majority of proposals/projects came from the commerce and services sectors (39%) followed by industry (26%), hotels and restaurants (18%), agriculture (14%) and the remainder (3%) from other sectors. About 64% of the proposals/projects could be considered project finance and the remaining 36% corporate finance.

Business Support Units

Electronic banking

As the segment leader, and providing continuity to the growing number of Customers and their preference for electronic banking, in 2009 many critical factors of satisfaction were strengthened, qualitative aspects in particular.

There were many improvements and developments that are not always fully perceived by the Customer, as they are important improvements in processes and in monitoring internal services.

The total replacement of old ATM by a more recent model was concluded. This major investment doubled the dispensing capacity of the ATM stock due to the increased capacity and speed of the new equipment.

EMV – Chip Card certification for the Visa and Mastercard brands was concluded in the ATM making transactions safer while bringing at the same time, the Bank's procedures in line with best international practices.

Aware that the quality of notes is crucial for good service delivery, the most worn out denominations were redistributed in order to achieve a major reduction in errors and thus increase the quality and speed of the service provided.

In addition, in order to improve access a new process has been introduced. Whenever a situation requiring attention to the ATM is detected an sms can be sent to the ATM supervisor, in real time. So the time between detection of an occurrence and intervention is reduced to the minimum possible.

The expansion and renewal of the physical stock of ATM continued to be a distinctive feature, with 290 units, 50 of which are new and were installed in 2009, a rise of 21% compared to the previous year.

The number of transactions rose by 33%, clear evidence of Customers' preference for the availability and comfort of this transaction channel.

The POS channel has consistently proven to be perfect for Customers' daily expenditure as it is fast, safe and has no additional costs.

At the moment demand is divided between the final Customer and the Trader as both value the numerous advantages of this means of payment with its wide geographical coverage and the different communication technologies available: dial-up, GSM and GPRS.

The constant development of alternative channels with a focus on POS is reflected in the 30% rise in transactions compared to the previous year. The number of POS has risen to 2,600 distributed across the country and sectors.

Constantly pursuing its motto of modernization, Millennium bim pioneered the launch of an e-commerce gateway, yet another historical step in the national scene.

The e-commerce channel will enable Mozambican companies to become international, selling their goods without physical borders, providing their services universally through the internet.

The e-commerce channel has been getting stronger and stronger and Millennium bim is thus expanding its portfolio with an important and innovative service guaranteeing an important partnership with all companies who want to expand their Customer base in a secure, modern and effective way.

Millennium bim cards continue to be a point of reference with a penetration rate of some 90% of deposit accounts, reaching 700,000 cards in the debit and credit universe where there is a variety of cards, such as Electron, VISA Co-branded, Affinity and Private Labels.

As has always been the case with debit cards, Customers can now change their Visa card PIN, giving them complete freedom and comfort in managing the PIN of their various cards.

The daily ATM withdrawal limits for the different Customer segments and profiles were adjusted, providing the appropriate autonomy for each Customer profile.

Given the care and dedication that each of these improvements received in 2009 and the preference reflected in the volume of business, Millennium bim is certain that once again its Customers have total confidence in the Bank. This inspires and encourages continued investment in order to maintain its leadership in electronic banking.

Operations and Information Systems

As in previous years, in 2009 Millennium bim has continued to invest in developing IT support solutions in the Bank's commercial areas and also in its business support areas.

This investment in IT solutions has been complemented by specific projects to improve procedures and reduce operational risk. This was done in the business processes identified as the most important for the Bank through direct involvement of the respective process owners and in accordance with the methodology defined by the Basel II agreements and adopted by the multi-domestic group of which Millennium bim is part.

As regards direct support for business, the development of workflows to support the management of lending processes was concluded and implemented. They cover loans in the form of bills of exchange or loan-accounts (excluding consumer credit and leasing products that are already based on similar, existing solutions). This means that virtually all the Bank's workflow processes in its vast market supply of credit products are covered.

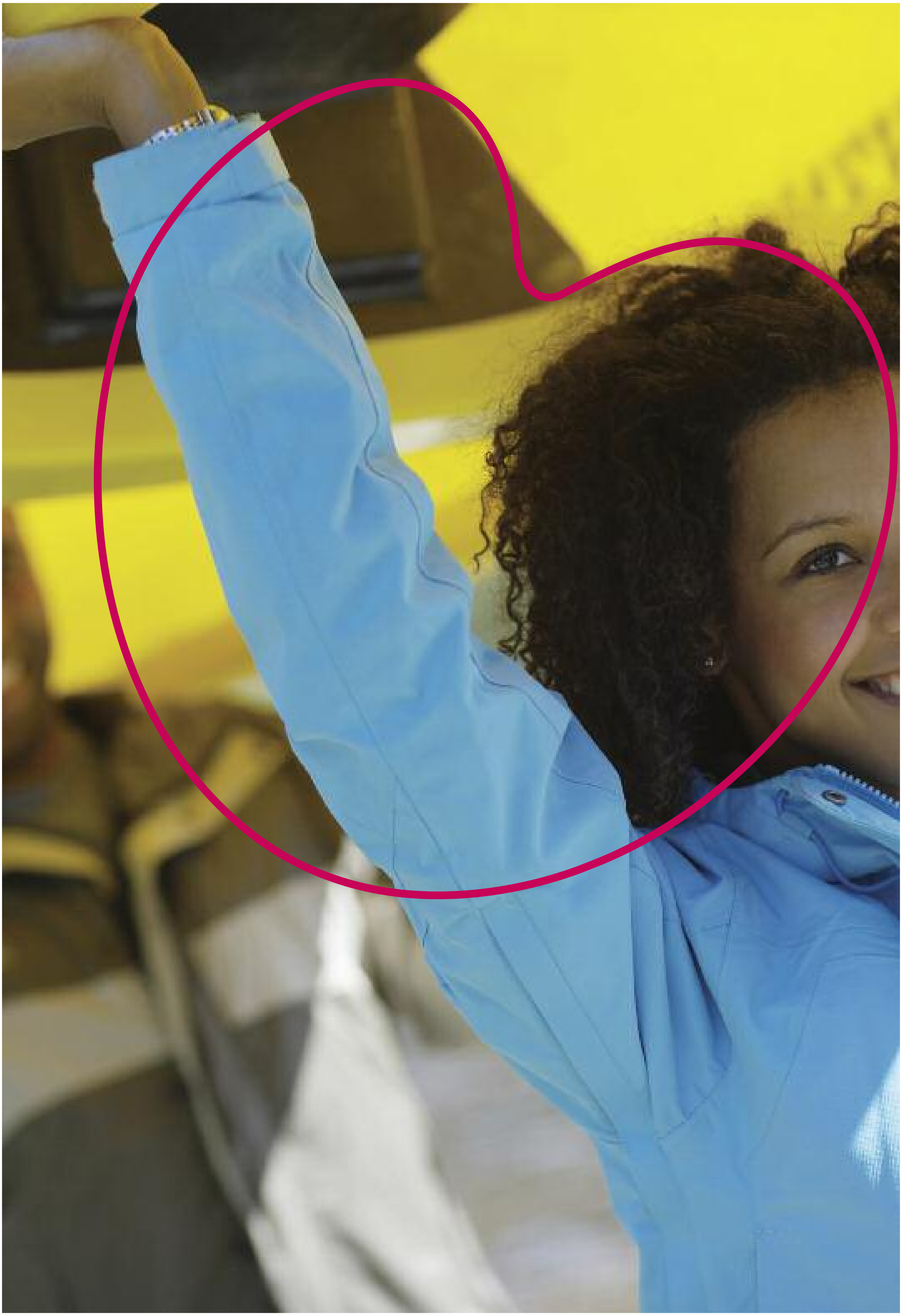
Pursuing its objective of providing Customers with improved access to Millennium bim's products and services, a substantial array of new internet functionalities and transactions has been developed and provided for both the company segment and individuals through (www.millenniumbim.co.mz).

In 2009 work ended on the adaptation of software and hardware (ATM and POS) to accept and validate cards with the memory chip issued by the Visa and Master card networks, reducing the possibility of fraud and the resulting losses from the use of cloned cards.

Also of note this year was the conclusion of development and the launch of supporting software for the computerization of the Bank's most relevant procedural and operational documentation: credit files, opening and closing accounts files, checks issued by Customers, among other operations. This investment has enabled Millennium bim to take a great qualitative step forward, not only in term of the security of this information, but also in ease of access.

The project "Improving the security of Millennium bim information systems" was also concluded. Intended to adopt the quality parameters set by ISO standards 27000/27001 it was concluded with remarkable success, as it helped to identify various opportunities for improvement in this extremely important area for the security of our operations, and their implementation.

Finally, it is also important to emphasize the Bank's constant effort on 2009 in the pro-active monitoring of its IT systems, communications and recovery in the event of a disaster, pursuing ever higher levels of availability and integrity in its information systems.



Risk Policy and Management

Risk management in Millennium bim is has increasingly become a top priority in the development, profitability and sustainability of the business. This is without prejudice to the fundamental importance of ensuring the total compliance of the Bank and its subsidiary with the requirements and current legal and regulatory definitions of related subjects: the correct determination of adequate equity to cover exposure to the various risks associated with banking and financial activity.

In 2009 there was a major effort to address internal requirements i.e. the impairment model, rating and credit scoring models and internal control system and to improving the quality of management information for measure the risks incurred.

Impairment Model

Under the Impairment Model the calculation of Probabilities of Default (PD) by product (consumption, housing, leasing and others) was introduced. Along with Loss Given Default (LGD) they are used to determine collective impairment through the Incurred but Not Reported indicator (IBNR).

In order to improve information on the Bank's risk mitigation work, in 2009 the Risk Office participated actively in the parameterization of the Bank's Collateral Management Model. It included in this application technical aspects of credit risk mitigation described in the Bank's new credit regulations. Millennium bim attaches the utmost importance to the future need to strengthen pricing policy adjusted to risk in all business segments. In the new model this is supported by the Customer's level of risk (or eventual guarantee) and by the degree of protection for the transaction, reflecting the nature of the collateral and the respective level of collateralization.

Rating and Credit Scoring Models

With regard to Rating and Credit Scoring models we introduced, the calculation of the central tendency value (average value of the probability of default (ENI) and small and medium enterprises (PME) to recalibrate the credit scoring grids for individuals, ENI and PME. Work also started on discontinuing the current risk level measuring scale (A-D) and adopting the Group's master scale (1-15) in order to align and harmonize procedures with the Millennium Group.

Internal Control System

In order to ensure that the preparation and dissemination of financial information is extremely secure, in 2009 there was a review of the Bank's Internal Control System.

The review produced the following conclusions:

- the controls implemented, the Bank's supporting Information Technology systems and other technological infrastructure ensure, in general, the correct accounting of operations and the production of financial information;

- the situations detected and not yet corrected as they involve IT development (most of which underway) do not appear to be very harmful. They do not prevent the Bank from achieving its key objectives nor do they damage its reputation;

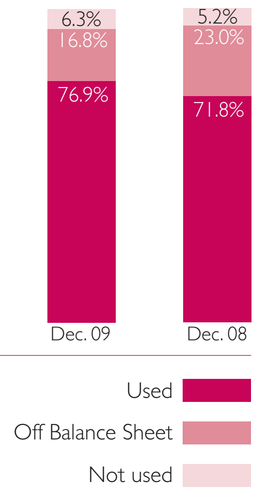
- of the processes analyzed, it was found that there were separate functions for the departments responsible for analyzing and deciding on transactions and the ones responsible for processing and accounting.

Quality of information

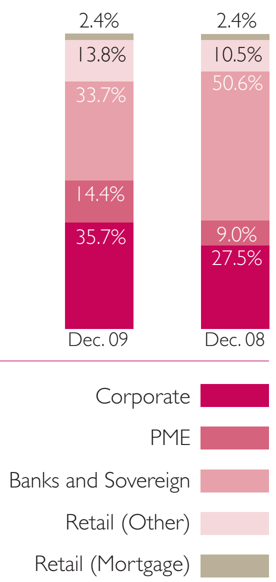
A major effort is underway to improve the quality of information in the IT systems for measuring risk i.e. in the Bank's activity. Begun in the first half of 2009 the process is creating IT infrastructure support for the consolidated measurement of Market and in the Liquidity Risks..

Government and Risk Management

Composition of the credit portfolio



Composition of the global credit portfolio segments



The Bank's risk policy and management continues to evolve through a functional model of crosscutting control. The Millennium bim Executive Committee is responsible for governing this model. It delegates the monitoring and control of each type of risk to the Risk Control Committee.

The Executive Committee has created the Risk Office following a wide range of risk management norms and principles that are applied across the entire Millennium group.

The Risk Office is responsible for coordinating and executing risk assessment and monitoring, and also for implementing risk controls in all business or functional areas supporting risk management.

Still on risk management, the Executive Committee has created the Audit Committee. In collaboration with the Risk Control Committee it guarantees adequate risk control and risk management systems.

Risk Assessment

Credit Risk

The relevance of credit risk is crucial for the material nature of the Bank's overall risk exposure. This risk exists in the daily activity of Millennium bim's commercial network.

Credit risk is associated with losses in expected returns when borrowers (and their guarantees if they exist), entities issuing securities or contractual counterparts are unable to fulfill their obligations.

Composition of the credit portfolio

At the end of 2009 the composition of the credit portfolio was not very different to that in December 2008. The following figure shows overall nominal exposure (i.e. balance sheet and off-balance sheet exposure) in December 2009 compared to December 2008.

The composition of the global credit portfolio segments, in accordance with Basel II is shown below.

Cálculation of economic capital

Economic capital relative to credit risk is calculated using an in-house portfolio actuarial model. It provides an estimated distribution of the probability of total losses based on exposure and the specific characteristics of the Bank's credit portfolio.

The model incorporates measures related to basic variables of credit risk assessment (PD[21]/LGD[22]/CCF[23]) and also contemplates the uncertainty associated with these measures by incorporating the volatility of the parameters. It also considers the effects of the diversification/concentration of credit risk.

The contribution of each sector or total risk exposure is shown in the joint analysis presented in the following table.

Millions MZN

			December 09			December 08		
			Exposure	Impairment	Imp./Exp.	Exposure	Impairment	Imp./Exp.
Total loan portfolio	Portfolio of loans with signs of impairment	Individual Analysis	961	480	49.95%	1,189	342	28.79%
		Parametric Analysis	529	227	42.81%	346	135	39.00%
	Portfolio with no signs of impairment	Individual Collective Analysis	26,321	471	1.79%	13,858	255	1.84%
		Collective Analysis	9,307	180	1.94%	9,161	150	1.63%
		Total	**37,119**	**1,358**	**3.66%**	**24,553**	**882**	**3.59%**

In December 2009 the economic capital associated with credit risk grew by 53.97% compared to December 2008, not because of a rise in the credit portfolio with signs of impairment but due to a substantial rise in credit portfolio without signs of impairment (collective impairment segment). In December 2009 this credit portfolio had grown by about 54.78% compared to December 2008, and the corresponding loan impairment losses grew by 60.74% over the same period. In other words, the higher economic capital associated with credit risk was not due to increased losses in the Bank's credit portfolio, but to the substantial rise in the credit portfolio with no sign of impairment, assigned to the prudential IBNR 2% (collective impairment) set by the Bank's Executive Committee for general credit risks.

Market Risk

Millennium bim uses the following internal models to follow and monitor interest rate and exchange risks:

[21] PD – Probability of Default.
[22] LGD – Loss Given Default.
[23] CCF – Credit Conversion Factors.

(i) Interest rate risk gap and sensitivity analysis -- assessment of the Interest Rate Risk (gaps built for the residual repricing periods of active contracts). The risks are reported as of December 31, 2009 and December 31, 2008 as shown in the following tables:

Interest Rate Risk GAP – MZN

MZN' 000

	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years
31st December 2009					
Assets					
Cash and deposits at Banco de Moçambique	2,623,883	702,796	667,291	-	-
Deposits in other credit institutions	-	-	-	-	-
Loans and advances to other credit institutions	-	-	-	-	-
Loans and advances to Customers	17,238,491	3,380,628	768,883	103,944	-
Financial assets available for sale	2,651,628	2,690,195	4,336,182	-	-
Total assets	22,514,002	6,773,619	5,772,356	103,944	-
Liabilities					
Deposits from other credit institutions	1,404,772	-	-	-	-
Deposits from Customers	11,637,685	7,974,971	9,074,656	86,170	-
Subordinated liabilities	-	65,000	-	-	-
Other liabilities	-	-	360,000	-	-
Total liabilities	13,042,457	8,039,971	9,434,656	86,170	-
Interest rate risk gap	9,471,545	(1,266,351)	(3,662,300)	17,774	-
Accumulated interest rate risk gap	9,471,545	8,205,193	4,542,893	4,560,667	-
Accumulated Sensitivity	74,349	62,760	38,897		
31st December 2008					
Total assets	13,256,376	5,092,700	5,187,082	112,875	-
Total liabilities	8,776,217	5,655,682	6,000,885	38,371	-
Interest rate risk gaps	4,480,159	(562,982)	(813,803)	74,504	-
Accumulated interest rate risk gap	4,480,159	3,917,177	3,103,374	3,177,878	-
Accumulated Sensitivity	42,579	38,429	32,156	-	-

Interest Rate Risk GAP – USD

MZN' 000

	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years
31st December 2009					
Assets					
Cash and deposits at Banco de Moçambique	314,883	-	-	-	-
Deposits in other credit institutions	83,403	-	-	-	-
Loans and advances to other credit institutions	2,556,976	1,240,692	4,087	-	-
Loans and advances to Customers	3,873,034	1,342,482	636,242	-	-
Financial assets available for sale	-	-	-	-	-
Total assets	6,828,296	2,583,174	640,329	-	-
Liabilities					
Deposits from other credit institutions	-	-	-	-	-
Deposits from Customers	3,654,263	3,008,897	2,778,820	315	-
Subordinated liabilities	-	-	-	-	-
Other liabilities	-	-	180,399	-	-
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 rate risk gap	3,174,033	2,748,310	429,419	429,105	-
Accumulated Sensitivity	26,334	22,769	10,162	-	-
31st December 2008					
Total assets	5,828,957	2,387,029	132,451	34	-
Total liabilities	3,996,954	1,920,799	2,234,222	2,142	-
Interest rate risk gaps	1,832,003	466,230	(2,101,771)	(2,108)	-
Accumulated interest rate risk gap	1,832,003	2,298,233	3,103,774	3,101,666	-
Accumulated Sensitivity	19,164	22,208	12,861	-	-

These tables show that as of 31st December 2009 the sensitivity risk of the interest rate on the balance sheet, simulating a parallel 1pp shift in the yield curves, produces 38,897 and 10,162 thousand Meticais for the main currencies held by the Bank i.e. Meticais and Dollars, compared to 32,156 and 12,861 thousand Meticais in December 2008.

(ii) Foreign exchange risk -- assessed by measuring the indicators set by the Banco de Moçambique's prudential norms, analyzed using indicators such as:

- Net open position per foreign currency – the Risk Office assesses the information reported on the last day of each month.

- Sensitivity Indicator - calculated by simulating the impact on the Bank's income of a 1% change in the Central Bank reference exchange rates

The results identified on 31st December 2009 show that the Bank is within the foreign exchange tolerance limits in accordance with prudential norms set by Banco de Moçambique, whether per currency or for the currencies as a whole.

Liquidity Risk

Management of Liquidity Risk

The management of liquidity risk is done centrally for all currencies. This means that both financing needs and eventual surplus liquidity are managed by operations with the counterparts in money markets.

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

The positive development of the Bank's business portfolio in 2009, with considerable growth in the credit portfolio, did not mean that alternative financing resources had been used. Deposits grew substantially and to a large extent this made it possible to finance the significant rise in the credit portfolio.

The cumulative liquidity gaps are shown in the following table:

Liquidity Gap

MZN' 000

	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 3 years	Over 3 years
31st December 2009					
Assets					
Cash and deposits at Banco de Moçambique	2,954,027	702,915	820,613	6,377	168
Deposits in other credit institutions	268,843	-	-	-	-
Loans and advances to other credit institutions	3,302,288	1,240,692	4,087	-	-
Loans and advances to Customers	6,139,202	2,627,671	2,133,734	3,302,908	13,840,163
Financial assets available for sale	2,651,628	2,456,895	4,302,470	-	267,012
Total assets	15,315,988	7,028,173	7,260,904	3,309,285	14,107,343
Liabilities					
Deposits from other credit institutions	1,404,772	-	-	-	-
Deposits from Customers	15,465,430	10,223,336	13,319,737	84,671	2,232
Subordinated liabilities	-	-	-	-	65,000
Other liabilities	-	-	-	-	540,399
Total liabilities	16,870,203	10,223,336	13,319,737	84,671	607,632
Liquidity Gaps	(1,554,215)	(3,195,163)	(6,058,833)	3,224,614	13,499,712
Accumulated Liquidity Gaps	(1,554,215)	(4,749,378)	(10,808,212)	(7,583,597)	5,916,115
31st December 2008					
Total assets	12,640,376	5,604,863	6,353,150	6,363,677	4,820,739
Total liabilities	13,207,185	7,048,588	9,289,653	38,584	2,315
Liquidity Gap	(566,809)	(1,443,724)	(2,936,503)	6,325,093	4,818,424
Accumulated Liquidity Gaps	(566,809)	(2,010,533)	(4,947,036)	1,378,057	6,196,481

As the subprime mortgage crisis in the USA and the respective consequences as of the second semester 2007 did not have a direct impact on the Bank's liquidity levels, the liquidity risk management principles were maintained. These principles emphasize additional efforts to gain Customers' deposits in all business segments.

Measures for Assessing Liquidity Risk

The assessment of liquidity risk in the Bank uses in-house indicators and other rules aligned with the Millennium Group that also have exposure limits.

The Bank's short-term (up to three months) liquidity risk assessment is done monthly using two in-house indicators – immediate liquidity and quarterly liquidity – that measure the maximum need to draw on funds on a single day, based on cash flow projections for three days and three months respectively.

Simultaneously there is a regular calculation of how the Bank's liquidity position (liquidity ratio) is evolving, identifying all the factors that justify any changes.

In addition, liquidity stress tests are carried out for specific crisis and market scenarios, in order to improve identification of the liquidity risk profile and ensure that Millennium bim is in a position to fulfill its obligations should a crisis arise.

The results of these tests help in the preparation and assessment of the contingency liquidity plan and current management decisions.

As of the 31st December 2009, analysis of the liquidity indicators for liquidity limits (immediate and quarterly) showed that the Bank had a clear, surplus liquidity profile and that ratios were within the crosscutting risk control limits established for the Millennium group.

Operating Risk

Operating risk occurs when there are losses arising from failings or inadequate internal processes, people or systems or arising from external events.

Millennium bim has adopted principles and practices that ensure efficient operational management by defining and documenting these principles and implementing the respective control mechanisms e.g. segregation of functions; lines of responsibility and the respective authorization; risk tolerance and exposure limits; professional codes and of conduct; key risk indicators; control of physical and logical access; reconciliation activities; exception reports; contracting insurance; contingency planning; internal training on processes, products and systems.

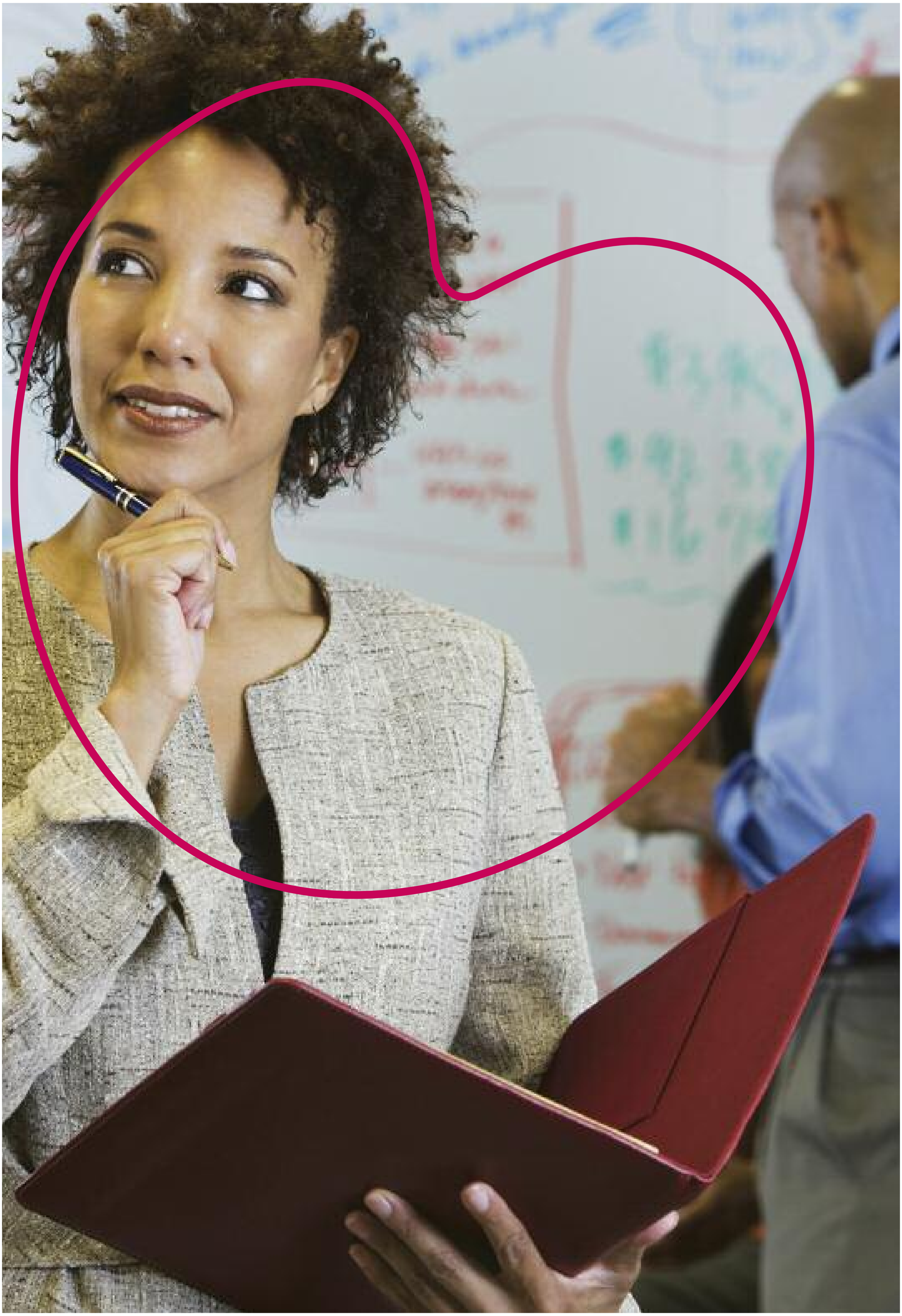
The management of operating risk is based on the structure of processes. It has a more comprehensive perception of risk based on an end-to-end view of the activities taking place throughout the value chain of each process. Process Owners, appointed by the Millennium bim Executive Committee, are responsible for managing processes and their mission in operating risk management is as follows:

(i) to describe the operating losses captured in their processes;

(ii) to conduct risk self assessment;

(iii) to identify and take appropriate action to mitigate exposure to risk, helping to strengthen the internal control environment; and

(iv) to monitor key risk indicators.



Financial Analysis

In accordance with Notice 04/GBM/2007 and complementary dispositions issued by Banco de Moçambique, BIM – Banco Internacional de Moçambique presents its individual and consolidated accounts for the financial years 2008 and 2009 in accordance with International Financial Reporting Standards (IFRS).

The results and financial ratios show a correct, strategic alignment and adequate management of the risks inherent to the Bank's activity associated with expansion of the retail network, consolidation of the business segmentation model and improvements in its services. These have contributed to more aggressive commercial activity that is reflected in the growth in loans and advances to Customers and in Customers' funds.

On 31st December 2009 Total Assets were 48,275.0 million Meticais, a rise of 36.1% over the previous year. This reflects a 68.8% rise in Loans and advances to Customers and 30.7% in the Securities portfolio, reinforced by growth in deposits from Customers and the establishment of the corresponding mandatory reserves with Banco de Moçambique.

The aggregate comprising Shareholders' Equity and Subordinate Debt was 6,623.0 million Meticais, reflecting Net Income of 1,918.9 million Meticais for the year. Combined with a rise in risk-adjusted assets this gives a Solvency Ratio of 14.7%, excluding the year's income.

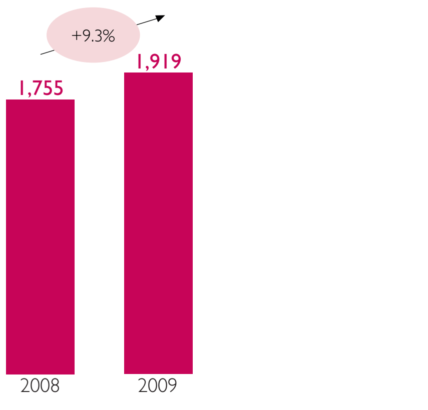
Profitability indicators reflect the good results performance, with Returns on Average Shareholders' Equity (ROE) of 36.3% and Returns on Average Assets (ROA) of 4.8%.

By incorporating reserves Share Capital rose from 741 million to 1,500 million Meticais, strengthening the Bank's solidity indicators and reflecting Shareholders' strong confidence in the Bank's growth and the financial system. The purpose of this capital increase is to provide the Bank with share capital compatible with commitments under its strategy.

Analysis of profitability

In 2009 the Bank's Net income was 1,918.9 million Meticais compared to 1,755.3 million Meticais the previous year, a rise of 9.3%. This was influenced by a rise in the Net Interest Income, higher profits from financial operations and commissions linked to good performance in loan recovery and a controlled rise in operating costs.

Net income
Million MZN



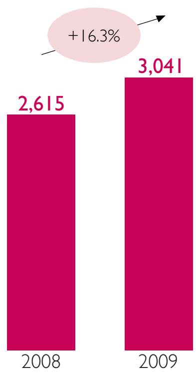
Net Operating Revenue

Net operating revenue includes Net Interest Income and Other Net Income of 5,048.6 million Meticais, 22.7% higher than the previous year.

Net Interest Income

Net Interest Income rose 16.3% to 3,041.0 million Meticais in 2009 (2,615.1 million Meticais in 2008), driven by higher turnover of interest generating assets, in particular credit and investments in securities, and by

Net interest income
Million MZN



higher turnover and aggressive pricing for Customers' funds. This compensated for the fall in interest rates and reduction in spreads due in part to the market situation.

The change in net interest income rate was also due to continuation of a policy of carefully selecting the operations to be financed and the occasional and opportune review of rates. This reflected the priority given to attracting and retaining Customers' funds by building a more attractive offer.

Other Net Income

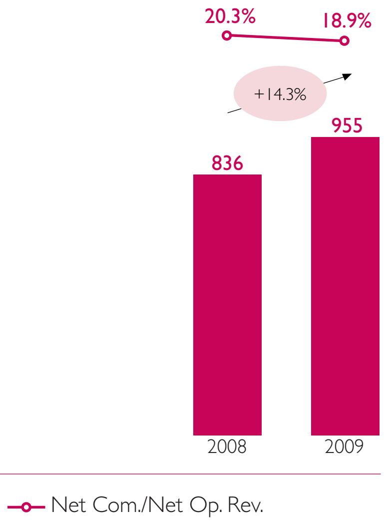
Other net income includes dividends from equity instruments, net commissions, net income from trading activity and other net operating income. It rose by 34.0% to 2,007.6 million Meticais.

Million MZN

	2009	2008	Var. %
Dividends from equity instruments	96.7	73.8	31.1%
Net fees and commissions income	955.2	836.0	14.3%
Net income from trading	839.3	507.7	65.3%
Other operating income	116.5	81.3	43.3%
	2,007.6	1,498.7	34.0%

Dividends from equity instruments correspond to dividends associated with financial participation in Segura Internacional de Moçambique, S.A.

Net commissions
Million MZN



Net fees and commission income amounted to 955.2 million Meticais, a rise of 14.3%. Of particular note was the rise in commissions on direct and indirect credit (mainly the guarantees provided) and good performance on commissions related to general banking operations and electronic banking due to higher turnover.

More intensive cross-selling, using the network in bancassurance operations, produced a rise of some 40%.

It should be noted that the ratio of net commissions to Net operating revenue fell from 20.3% in 2008 to 18.9%. This is in line with the Authorities' recommendations on reducing commission charges on services provided.

Net income from trading activity rose to 839.3 million Meticais due to more dynamic trading operations, taking advantage of business opportunities and correct management of the foreign exchange position.

Operating expenses

Operating expenses, which include staff costs, other administrative costs and depreciation totaled 2,327.0 million Meticais, 19.3% higher than the previous year.

Million MZN

	2009	2008	Var. %
Staff Costs	1,040.2	883.0	17.8%
Other administrative costs	1,074.2	839.1	28.0%
Depreciation	212.6	228.7	-7.0%
	2,327.0	1,950.7	19.3%

The higher operating expenses were due mainly to the continuing expansion of the branch and ATM network that grew from 101 branches in December 2008 to 117 branches at the end of 2009. They also reflect the rationalization of administrative costs.

The 17.8% rise in staff costs compared to the previous year was due to a rise in the number of Employees from 1,635 to 1,805 following the expansion of the branch network, personnel adjustments in central services and the commercial area, and the evolution of professional careers and salary adjustments throughout the year.

Other administrative costs rose 28.0% due to the expansion of the branch network and remodeling various branches, a higher commercial dynamism involving various institutional and product campaigns as well as a sharp rise in the market cost of some services. Despite these developments the Bank maintains rigorous cost control and management.

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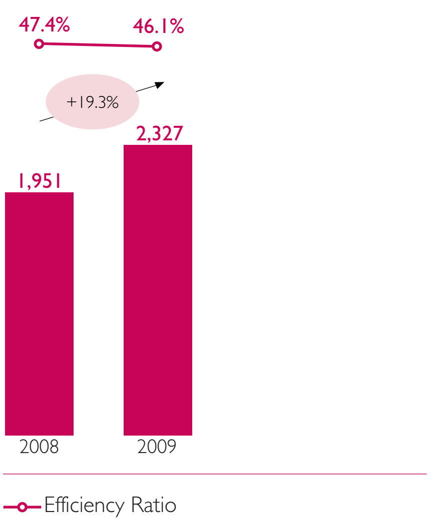
Amortization totaled 212.6 million Meticais in 2009, a fall of 7% despite higher investment volume, influenced by adjustments to the amortization periods of certain assets the previous year.

Business growth, combined with improved operating efficiency, resulted in the cost to income ratio good performance falling from 47.4% in December 2008 to 46.1% at the end of 2009. This reflected stronger growth of 22.7% in the banking product due to a sustained and controlled increase in operating costs.

Operating costs
Million MZN



Impairment

Loan impairment (net of recovery) was 412.5 million Meticais compared to 52.9 million Meticais the previous year. This was due mainly to the uncertain market context and the negative impact of the international financial crisis on certain sectors of the economy, combined with a prudent provisioning policy and the adaptation of impairment levels to the economic and sector assessment of risks incurred.

Credit recovery totaled 118.6 million Meticais, a decrease compared to 127.8 million Meticais in 2009. It should be noted that in recent years there has been an intense effort to recover overdue loans with the result that less credit has to be recovered.

Analysis of asset structure

Total Assets amounted to 48,275.0 million Meticais, a rise of 36.1%, supported by an increase in Customer business, both loans and deposits.

The rise in total assets was also influenced by a 30.7% rise in financial assets available for sale and growth of 17.7% growth in tangible and intangible assets, reflecting technological investments and also investment under branch network and ATM expansion program.

Million MZN

Total assets	2009	2008	Var. %
Available assets and applications in CIs	9,357.4	9,677.6	-3.3%
Loans and advances to Customers	27,540.0	17,017.4	61.8%
Financial assets available for sale	9,339.2	7,148.0	30.7%
Investments in subsidiary companies	356.1	356.1	0.0%
Tangible and intangible assets	1,356.1	1,151.8	17.7%
Other	326.1	126.3	158.2%
	48,275.0	**35,477.3**	**36.1%**

Loans and advances to Customers rose in 61.8% up to 27,540.0 million Meticais driven by strong growth in corporate and consumer credit.

The introduction of flexible products appropriate to the needs and profile of Customers in the Retail network was successful in promoting consumer credit (CNV – Crédito Nova Vida) that was 72% higher than the previous year, as well as Leasing/ALD products that were 25.4% higher than in 2008.

The strong 66.0% rise in net corporate credit reflects the continuing policy of prudence in selecting operations according to their risk and returns, and less exposure to large concentrations.

Despite the difficult economic environment, in 2009 the quality of the credit portfolio as assessed by overdue loans as a percentage of total loans, continued to be satisfactory with relatively low indicators due to constant monitoring of the loan portfolio and rigorous assessment and selection when granting loans.

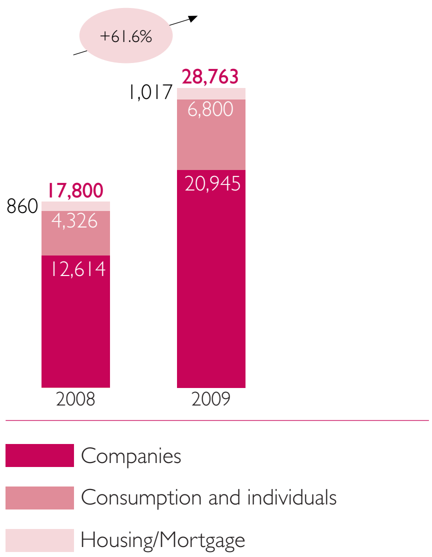
The ratio of overdue loans as a percentage of total loans was 1.0% (0.9% in 2008) and the respective coverage for loan impairment was 419.9% (486.4% in 2008) due to the prudent evaluation of risk.

Deposits from Customers

A broad and varied range of products and services associated with improved performance by commercial networks in attracting funds, and rigorous and disciplined management of pricing, resulted in deposits from Customers rising by 33.0% to 39,096.3 million Meticais.

The rise in Deposits from Customers as a fundamental support for financing individuals and companies also reflects stronger loyalty and the expansion of the Customer base provided by a vast network of branches and also the commercial team's efforts and focus on mobilizing resources.

Loans and advances to customers (gross)
Million MZN



Proposal on the Application of Profits

Taking into consideration the legal disposition and Mozambican law i.e. Law 15/99 on Credit Institutions, as concerns the establishment of Reserves, it is proposed that profits in the 2009 financial year amounting to 1,918,862,056.00 Meticais be applied as follows:

Legal Reserve	15.00%	287,829,308.40 Meticais
Free Reserve	57.50%	1,103,345,682.20 Meticais
Dividend Stabilization	2.50%	47,971,551.40 Meticais
Distribution to Shareholders	25.00%	479,715,514.00 Meticais

Subsidiary Company

Seguradora Internacional de Moçambique, S.A.

In 2009 the processed revenue of Seguradora Internacional de Moçambique was 934,808 thousand Meticais, a rise of 10.7% compared to 2008.

Contributions to this increase came from the Non-life business that were 25% higher than the previous year due to new portfolio business in Works and Assembly, Health, Motor Fire and Workman's Compensation. The Health products continue to grow strongly (more than 62% compared to the previous year) due to a substantial rise in the production of Seguros Plano Protecção Pagamento (Payment Protection Plan Insurance (associated with Crédito Nova Vida) (New Life Credit)).

Intensive cross-selling and the importance of using the Group's synergies rationally are reflected in the Life business and in the 41% growth in processed revenue in the Life Risk product due to increased bancassurance business with Millennium bim.

In 2009 there was a special focus on the Seguradora's branches in the country's main economic development centres, providing them with technical and human resources, emphasising Staff training and regular monitoring of their work.

The Net income of Seguradora Internacional de Moçambique in 2009 was 208,100 thousand Meticais, 10.7% higher than the previous year.

Staff training has received special attention with participation by external consultants in order to use to the maximum the potential of the new IT system and simultaneously teach the human capital in the various intervention areas how to handle the system correctly and safely.

In the technical fields there is concern about the rise in motor vehicle claims due to the many road accidents that result in death and heavy damage, with serious implications for both families and the country's economy.

Tariff adjustments and additional measures throughout the year combined with regular monitoring of the technical accounts in general and claims in particular have helped to dampen the disturbing developments in the technical accounts of the Vehicle Third Party Liability products that will continue to be monitored closely next year.

According to the latest available information the Seguradora has retained its market leadership with a market share of 38.4% in December 2008, compared to 36.9% in December 2007. It continues to be the leader in the Non-life business with a market share of 31.4% and in Life business with a 74.6% share.

In 2010 the commercial strategy will entail constant commercial innovation, particularly in the branch network. New products are expected early in the year that, in addition to their commercial nature will also contemplate social context.

Also in the commercial field, special attention will be paid to service excellence for Customers, in order to come closer to them and provide a more timely response to their needs, ensuring high levels of service.

Social Responsibility

Millennium bim believes that its social function is 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 and socially responsible and consistent behavior towards all the parties involved – Customers, Shareholders, Employees and Investors.

Through its Social responsibility Program "Mais Moçambique pra Mim" the Bank has continued to support institutions and entities that, through their work with the population, prove their credibility and ability to act in fields such as health, education, culture, sport and social action.

It has reaffirmed its commitment to implementing the principles of the United Nations Global Covenant on human rights, work and the environment and to supporting implementation of the objectives of FEMA – Fórum Empresarial para o Meio Ambiente.

Millennium bim has continued to exercise social responsibility in all its many aspects: observance of the law, its relations with its Investors and Customers, observance of its own codes of conduct, promoting service quality, and its policy on human resource development. It is aware that true success and prosperity can only take shape and be achieved if conceived on a scale that goes beyond the merely economic plan and that defends the sustainability of the entire socio-economic environment.

Since 2007 Millennium bim has been publishing a report on its Social Responsibility activities that is obligatory reading for all those who want to get detailed information on the Bank's role in this field.

Financial Statements

Banco Internacional de Moçambique

Consolidated Income Statement

for the years ended 31st December, 2009 and 2008

	Notes	USD'000		MZN'000	
		2009	2008	2009	2008
Interest and similar income	2	152,773	147,565	4,246,452	3,587,188
Interest expense and similar charges	2	36,197	32,621	1,006,122	792,979
Net interest income		116,576	114,944	3,240,330	2,794,209
Dividends from equity instruments	3	45	42	1,260	1,022
Net fees and commissions income	4	33,183	33,091	922,335	804,403
Net gains arising from trading activity	5	31,253	21,091	868,693	512,697
Other operating income	6	19,467	16,518	541,110	401,538
		83,948	70,742	2,333,399	1,719,660
Total operating income		200,524	185,686	5,573,729	4,513,869
Staff costs	7	38,020	37,920	1,056,792	921,811
Other adminsitrative costs	8	36,462	32,056	1,013,483	779,252
Depreciation	9	8,154	9,919	226,640	241,120
Total operating expenses		82,636	79,895	2,296,914	1,942,183
Loan impairment	10	14,841	2,175	412,521	52,866
Other provisions	11	14,029	10,468	389,947	254,475
Profit before income tax		89,018	93,148	2,474,347	2,264,345
Income Tax					
Current	12	15,449	15,501	429,423	376,818
Deferred	12	682	928	18,953	22,549
		16,131	16,429	448,376	399,367
Profit after income tax		72,887	76,719	2,025,971	1,864,978
Net income for the year attributable to:					
Shareholders of the Bank		72,148	75,958	2,005,440	1,846,477
Minority interests		739	761	20,531	18,501
Net income for the year		72,887	76,719	2,025,971	1,864,978

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

Banco Internacional de Moçambique

Consolidated Integral Income Statement

for the years ended 31st December, 2009 and 2008

MZN'000

	Attributable to Shareholders of the Group	Attributable to minority interests	Total
2009			
Consolidated income	2,005,440	20,531	2,025,971
Reevaluation reserves of financial assets available for sale:			
Reevaluation of financial assets available for sale	-	-	-
Fiscal impact	-	-	-
Foreign exchange variations and other movements	(2,979)	-	(2,979)
Income not included in consolidated income statement	**(2,979)**	**-**	**(2,979)**
Consolidated integral income	**2,002,461**	**20,531**	**2,022,992**
2008			
Consolidated income	1,846,477	18,501	1,864,978
Reevaluation reserves of financial assets available for sale:			
Reevaluation of financial assets available for sale	-	-	-
Fiscal impact	-	-	-
Foreign exchange variations and other movements	9,230	-	9,230
Income not included in consolidated income statement	**9,230**	**-**	**9,230**
Consolidated integral income	**1,855,707**	**18,501**	**1,874,208**

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

Banco Internacional de Moçambique

Consolidated Balance Sheet

as at 31st December, 2009 and 2008

	Notes	USD'000		MZN'000	
		2009	2008	2009	2008
Assets					
Cash and deposits at Banco de Moçambique	14	153,529	155,411	4,481,524	3,962,979
Deposits in other credit institutions	15	11,227	23,329	327,728	594,888
Loans and advances to credit institutions	16	155,811	200,774	4,548,135	5,119,732
Loans and advances to Customers	17	943,473	667,350	27,539,980	17,017,434
Financial assets available for sale	18	329,212	293,669	9,609,711	7,488,557
Property and equipment	20	71,725	74,436	2,093,651	1,898,105
Goodwill and intangible assets	21	4,953	5,525	144,569	140,898
Deferred income tax assets	22	676	1,410	19,734	35,952
Other assets	23	16,711	7,135	487,752	181,952
Total assets		**1,687,317**	**1,429,039**	**49,252,784**	**36,440,497**
Liabilities					
Deposits from other credit institutions	24	55,224	7,483	1,611,991	190,805
Deposits from Customers	25	1,283,969	1,108,656	37,479,043	28,270,725
Provisions for liabilities and charges	27	84,101	77,049	2,454,897	1,964,746
Subordinated debt	28	9,770	10,108	285,177	257,755
Current tax liabilities	29	3,465	3,351	101,147	85,449
Deferred income tax liabilities	29	553	397	16,147	10,136
Other liabilities	30	24,733	24,794	721,945	632,255
Total liabilities		**1,461,815**	**1,231,838**	**42,670,347**	**31,411,871**
Equity					
Share Capital	31	51,387	29,059	1,500,000	741,000
Legal reserve	32	25,385	21,008	741,000	535,702
Other reserves and retained earnings	32	77,436	68,578	2,260,359	1,839,186
Net income for the year attributable to Shareholders	32	68,702	75,958	2,005,440	1,846,477
Total Equity attributable to the Group		**222,910**	**194,603**	**6,506,799**	**4,962,365**
Minority Interests		2,591	2,598	75,638	66,261
Total Equity		**225,501**	**197,201**	**6,582,437**	**5,028,626**
Total Equity and Liabilities		**1,687,316**	**1,429,039**	**49,252,784**	**36,440,497**

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

Banco Internacional de Moçambique

Consolidated Cash Flows Statement

for the years ended 31st December, 2009 and 2008

MZN'000

	2009	2008
Cash flows arising from operating activities		
Interest and commissions received	5,209,574	4,536,423
Interest and commissions paid	(1,061,129)	(819,337)
Payments to Employees and suppliers	(1,976,655)	(1,666,280)
Recoveries on loans previously written off	118,580	127,804
Net earned premiums	689,907	678,416
Claims incurred	(165,799)	(385,392)
Operating profit before changes in operating funds	**2,814,478**	**2,471,634**
(Increase)/decrease in operating assets		
Financial assets available for sale	(2,113,827)	(1,366,324)
Loans and advances to credit institutions	781,239	333,372
Deposits at central banks	(210,326)	(152,937)
Loans and advances to Customers	(10,812,923)	(4,614,308)
Other operating assets	(121,025)	(9,840)
Increase/(decrease) in operating liabilities		
Financial liabilities held for trading	-	-
Resources of other credit institutions	1,421,188	(810,332)
Customers' resources and other loans	9,625,194	5,763,027
Liabilities represented by securities	-	-
Other operating liabilities	(70,757)	198,401
Net cash flows arising from operating activities before tax on profits	**1,313,241**	**1,812,693**
Income taxes paid	(413,724)	(399,367)
Net cash flows of operating activities	**899,517**	**1,413,326**
Cash flows arising from investing activities		
Dividends paid	-	-
Dividends received	1,260	1,022
Revenue from the sale of shares	-	-
Acquisition of fixed assets	(429,114)	(300,276)
Revenue from sale of fixed assets	-	-
Net cash flows arising from investing activities	**(427,854)**	**(299,254)**
Cash flows arising from financing activities		
Dividends paid	(438,825)	(349,690)
Additional payment	(19,202)	-
Issue of subordinated debt	-	-
Reimbursement of subordinated debt	22,805	-
Interest paid on financing activities	4,618	(11,259)
Net cash flows arising from financing activities	**(430,605)**	**(360,949)**
Effect of changes in exchange rates on cash and equivalents	-	4,898
Increase/(decrease) in cash and equivalents	**41,059**	**758,021**
Cash and equivalents at the beginning of the year	2,113,665	1,355,644
Cash and equivalents at the end of the year	2,154,724	2,113,665
	41,059	**758,021**

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

Banco Internacional de Moçambique

Consolidated Statement of Changes in Equity

for the years ended 31st December, 2009 and 2008

MZN'000

	Total Equity	Share Capital	Legal Reserve	Other reserves and retained earnings	Net Income for the year	Minority Interests
Balance on 31st December 2007	3,511,347	741,000	325,888	876,928	1,512,533	54,998
Transfers to other reserves and income carried over	-	-	-	953,028	(953,028)	-
Transfers to legal reserve	-	-	209,814	-	(209,814)	-
Dividends paid in 2008	(349,691)	-	-	-	(349,691)	-
Integral income in 2008	1,874,208	-	-	9,230	1,846,477	18,501
Minority interests	(7,238)	-	-	-	-	(7,238)
Balance on 31st December 2008	5,028,626	741,000	535,702	1,839,186	1,846,477	66,261
Increase in share capital by incorporating reserves	-	759,000	-	(759,000)	-	-
Transfer to other reserves and income carried over	-	-	-	1,202,354	(1,202,354)	-
Payment of additional instalment	(19,202)	-	-	(19,202)	-	-
Transfer to legal reserve	-	-	205,298	-	(205,298)	-
Dividends paid in 2009	(438,825)	-	-	-	(438,825)	-
Integral income in 2009	2,022,992	-	-	(2,979)	2,005,440	20,531
Minority interests	(11,154)	-	-	-	-	(11,154)
Balance on 31st December 2009	6,582,437	1,500,000	741,000	2,260,359	2,005,440	75,638

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

BIM – Banco Internacional de Moçambique, S.A.

Income Statement of the Bank

for the years ended 31st December, 2009 and 2008

	Notes	USD'000		MZN'000	
		2009	**2008**	**2009**	**2008**
Interest and similar income	2	151,085	146,855	4,199,538	3,569,924
Interest expense and similar charges	2	41,681	39,277	1,158,547	954,803
Net interest income		**109,404**	**107,578**	**3,040,991**	**2,615,121**
Dividends from equity instruments	3	3,479	3,035	96,696	73,768
Net fees and commissions income	4	34,364	34,390	955,163	835,987
Net gains arising from trading activity	5	30,195	20,884	839,293	507,676
Other operating income	6	4,191	3,344	116,488	81,296
		72,229	**61,653**	**2,007,640**	**1,498,727**
Total operating income		**181,633**	**169,231**	**5,048,631**	**4,113,848**
Staff costs	7	37,422	36,323	1,040,188	882,980
Other administrative costs	8	38,647	34,517	1,074,215	839,070
Depreciation	9	7,647	9,406	212,560	228,652
Total operating expenses		**83,716**	**80,246**	**2,326,963**	**1,950,702**
Loan impairment	10	14,841	2,175	412,521	52,866
Other provisions	11	1,469	1,574	40,827	38,251
Profit before income tax		**81,607**	**85,236**	**2,268,320**	**2,072,029**
Income tax					
Current	12	11,989	12,286	333,240	298,662
Deferred	12	583	743	16,218	18,066
		12,572	**13,029**	**349,458**	**316,728**
Net income for the year		**69,035**	**72,207**	**1,918,862**	**1,755,301**
Earnings per share	13	**4,60 USD**	**9,74 USD**	**127,92 MZN**	**236,88 MZN**

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

BIM – Banco Internacional de Moçambique, S.A.

Integral Income Statement of the Bank

for the years ended 31st December, 2009 and 2008

MZN'000

	2009	2008
Net income	1,918,862	1,755,301
Reevaluation reserves of financial assets available for sale		
Reevaluation of financial assets available for sale	-	-
Fiscal impact	-	-
Foreign exchange variations and other movements	-	-
Income not included in income statement	-	-
Integral net income	1,918,862	1,755,301

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

BIM – Banco Internacional de Moçambique, S.A.

Balance Sheet of the Bank

as at 31st December, 2009 and 2008

	Notes	USD'000		MZN'000	
		2009	2008	2009	2008
Assets					
Cash and deposits at Banco de Moçambique	14	153,529	155,411	4,481,524	3,962,979
Deposits in other credit institutions	15	11,227	23,329	327,728	594,888
Loans and advances to other credit institutions	16	155,811	200,774	4,548,135	5,119,730
Loans and advances to Customers	17	943,473	667,350	27,539,980	17,017,434
Financial assets available for sale	18	319,945	280,312	9,339,183	7,147,965
Investments in subsidiaries	19	12,201	13,967	356,148	356,148
Property and equipment	20	45,783	44,539	1,336,394	1,135,734
Intangible assets	21	677	631	19,749	16,078
Deferred income tax assets	22	676	1,410	19,734	35,952
Other assets	23	10,494	3,544	306,391	90,368
Total assets		**1,653,816**	**1,391,267**	**48,274,966**	**35,477,276**
Liabilities					
Deposits from other credit institutions	24	55,224	7,483	1,611,991	190,805
Deposits from Customers	25	1,339,372	1,152,844	39,096,265	29,397,513
Debt securities issued	26	2,294	2,649	66,975	67,550
Provisions for liabilities and charges	27	6,366	5,237	185,831	133,552
Subordinated debt	28	18,749	20,410	547,297	520,455
Current income tax liabilities	29	2,289	557	66,825	14,181
Other liabilities	30	21,381	21,113	624,101	538,375
Total liabilities		**1,445,675**	**1,210,292**	**42,199,285**	**30,862,431**
Equity					
Share capital	31	51,387	29,059	1,500,000	741,000
Legal reserve	32	25,385	21,008	741,000	535,702
Other reserves and retained earnings	32	62,335	58,701	1,915,819	1,582,842
Net income for the year attributable to shareholders	32	69,034	72,207	1,918,862	1,755,301
Total Equity		**208,141**	**180,975**	**6,075,681**	**4,614,845**
Total Equity and Liabilities		**1,653,816**	**1,391,267**	**48,274,966**	**35,477,276**

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

BIM – Banco Internacional de Moçambique, S.A.

Cash Flows Statement of the Bank

for the years ended 31st December, 2009 and 2008

MZN'000

	2009	2008
Cash flows arising from operating activities		
Interest and commissions received	5,161,827	4,508,876
Interest and commissions paid	(1,187,935)	(915,118)
Payments to Employees and suppliers	(2,011,944)	(1,666,433)
Recoveries on loans previously written off	118,580	127,804
Operating profit before changes in operating funds	**2,080,528**	**2,055,129**
(Increase)/decrease in operating assets		
Financial assets available for sale	(2,181,390)	(1,284,433)
Loans and advances to credit institutions	773,886	320,802
Deposits at central banks	(210,326)	(152,937)
Loans and advances to Customers	(10,820,275)	(4,617,440)
Other operating assets	(69,428)	59,066
Increase/(decrease) in operating liabilities		
Financial liabilities held for trading	-	-
Resources of other credit institutions	1,421,188	(810,332)
Customers' resources and other loans	10,103,049	6,018,018
Liabilities represented by securities	-	-
Other operating liabilities	(43,727)	115,945
Net cash flows arising from operating activities	**1,053,505**	**1,703,818**
Income taxes paid	(296,814)	(316,728)
Net cash flow of operating activities	**756,691**	**1,387,090**
Cash flow arising from investing activities		
Purchase/increase in shares	-	-
Dividends received	96,696	73,768
Revenue from the sale of shares	-	-
Acquisition of fixed assets	(381,142)	(308,785)
Revenue from sale of fixed assets	-	-
Net cash flows arising from investing activities	**(284,446)**	**(235,017)**
Cash flows arising from financing activities		
Dividends paid	(438,826)	(349,690)
Additional payment	(19,202)	-
Issue of subordinated debt	-	-
Amortization of subordinated debt	22,806	-
Interest paid on financing activities	4,036	(49,260)
Net cash flows arising from financing activities	**(431,186)**	**(398,950)**
Effects of changes in exchange rates on cash and equivalents	-	4,898
Increase/(decrease) in cash and equivalents	**41,059**	**758,021**
Cash and equivalents at the beginning of the year	2,113,665	1,355,644
Cash and equivalents at the end of the year	2,154,724	2,113,665
	41,059	**758,021**

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

BIM – Banco Internacional de Moçambique, S.A.

Statement of Changes in Equity of the Bank

for the years ended 31st December, 2009 and 2008

MZN'000

	Total Equity	Capital	Legal Reserve	Other reserves and retained earnings	Income for the Year
Balance on 31st December 2007	3,209,235	741,000	325,888	743,584	1,398,763
Transfers to other reserves and income carried over	-	-	-	839,258	(839,258)
Transfers to legal reserves	-	-	209,814	-	(209,814)
Dividends paid in 2008	(349,691)	-	-	-	(349,691)
Integral income	1,755,301	-	-	-	1,755,301
Balance on 31st 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)	-
Payment of additional instalment	(19,202)	-	-	(19,202)	-
Transfers to legal reserve	-	-	205,298	-	(205,298)
Dividends paid in 2009	(438,825)	-	-	-	(438,825)
Integral income in 2009	1,918,862	-	-	-	1,918,862
Balance on 31st December 2009	6,075,681	1,500,000	741,000	1,915,819	1,918,862

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

Banco Internacional de Moçambique

Notes to the Financial Statements

for the year ended 31st December 2009

Banco Internacional de Moçambique

Notes to the Financial Statements

for the year ended 31st December 2009

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 the 31st December 2009.

The Bank's main objective is to conduct financial operations 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 currency.

On 31st 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 Seguradora) are presented on a consolidated basis in this report.

In accordance with Bank of Mozambique Notice 04/GBM/2007 of 2nd May and its complementary dispositions, as of 1st 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 affecting the application of accounting policies and the value of assets, liabilities, profits and expenses.

The estimates and related assumptions are based on historical experience and various other factors considered reasonable under the circumstances. They provide the basis for judgments on the value of assets and liabilities that are not readily apparent from other sources. Actual results can differ from the 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 of the Bank and the Group have converted the balances to thousands of USD, using the Banco de Moçambique's closing rate on the reference dates for the corresponding period.

b) Basis of consolidation

The Group's accounts have been consolidated at the Banco Comercial Português. S.A. (BCP) using the full method.

(i) Investments in subsidiaries

Investments in subsidiary companies where the Group holds control are consolidated using the full 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 presumed 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 of shareholding in the capital is less than 50%.

The consolidated financial statements as at 31st December 2009 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 full method, in accordance with IFRS requirements.

(ii) Differences in consolidation and revaluation – Goodwill

Goodwill arising from the business activity concentrations that occurred prior to 1st January 2006 has been charged against reserves.

Business activities concentration that took place after 1st January 2006 are 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, including costs directly related to the transaction.

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 assets acquired.

Since the transition to IFRS on 1st January 2006, the positive goodwill arising from acquisitions has been recognised as an asset and 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 recognised in the income of the year.

If the goodwill is negative it is recorded directly in the income statement in the period when the business occurs.

(iii) Transactions eliminated on consolidation

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

c) Loans to and advances 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) use of impairment losses when these correspond to 100% of loan values; (ii) when the Bank's contractual rights have expired or (iii) when the Bank has transferred substantially all risks and benefits associated with these loans.

Subsequent recoveries of these loans are recorded in the accounts as a reduction in impairment losses in the year in which they occur.

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.

Impairment

The Bank's policy is to assess regularly whether there is objective evidence of impairment in its credit 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 the exposures 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 aggregate exposure of each Customer in 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 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 estimated future cash flows of a collateralised loan corresponds to the cash flows that may result from foreclosure and the sale of collateral, less costs arising from its recovery and sale.

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

(ii) Collective assessment

Impairment losses based on collective assessment can be calculated using two different approaches:

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

- for losses incurred but not yet recognised (IBNR) on loans subject to individual impairment analysis.

Collective impairment losses are calculated considering the following aspects:

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

- knowledge of the economic environment and its influence on the level of historical losses; and

- the estimated period between 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 differences between estimated and real losses.

Loans that have been assessed individually and where no 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 losses that will only be identified individually in future periods.

d) Financial instruments

(i) Classification, initial recognition and subsequent measurement

1) Financial assets held for trading

The financial assets and liabilities acquired or issued with a view to being sold or repurchased in the short term, i.e. bonds, treasury bills and 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. The dividends associated with these portfolios are included in Gains from Financial Transactions. 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 maturity 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 category or financial assets available for sale. These 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 the Income Statement.

Any recognized financial asset in this category that is reclassified or sold not 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 of the held-to-maturity type.

3) Financial assets available for sale

Financial assets available for sale i.e. bonds, treasury bills or shares, are to be retained by the Group and classified as available for sale except when included in another category of financial assets. Financial assets available for sale are initially recognised at fair value, including the expenses and incomes 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 recognised at their fair value. Counterpart of fair value reserves up to the moment records changes in fair value when they are sold or when there are impairment losses. When financial assets available for sale are sold the cumulative gains or losses recognised as fair value reserves are recorded in the Income from financial assets available for sale item in the income statement.

Interest on debt instruments is recognized 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 recognised in Income when the right to revenue is assigned.

4) Other financial liabilities

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

(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 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 recorded by counterpart of income) is removed from the fair value reserves and recognized in the income statement. Should, on a subsequent period, 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 by counterpart of Income.

When reversed, impairment losses recognised in capital instruments classified as available for sale are recorded by counterpart of Reserves.

The impairment policy on Customers' loan portfolio is described in 1 c) above.

(iii) Recognition date

The Group and the Bank recognize financial assets held for trading and available for sale on the date it commits 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 derecognizes financial assets when all rights to future cash flows expire.

e) Transactions with a repurchase and resale agreement

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

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

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

The difference between sale and repurchase conditions is the time frame of the transaction period and is recorded in Interest and Equivalent Income and costs.

f) Recognition of interest

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

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

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 as income for the period to which they refer; and

- when they are the result of services provided they are recognized when that service has been concluded.

Profits resulting from services and commissions, when part of interest rate of a financial instrument are registered as financial margin.

h) Income from financial transactions

The profits and costs of financial transactions include the profit and loss resulting from foreign currency trading transactions and the conversion of monetary items from foreign currency to the national 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) Property and equipment

Property and equipment 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 Group.

Expenses on maintenance and repair are recognised as a cost as it is incurred in accordance with the companies principles.

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 recognised in income.

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

	Number of years
Buildings	50
Work on buildings of other (*)	10
Equipment	4 a 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

The intangible assets acquired by the Group are recorded at their historical cost less cumulative 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 recognises as intangible assets the costs associated with software acquired from third parties and applies a linear depreciation for an estimated useful life of three years. The Group does not capitalise internal costs arising from software development.

k) Assets arising from recovered loans

Assets arising from recovered loans include buildings that are the result of the resolution of loan contracts with Customers.These assets are recognized in the item Other assets and their initial measurement is the lower of the fair value or 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 is not subject to amortization.

If there are unrealised losses they are recorded as impairment losses by counterpart of income.

l) Cash and cash equivalents

In the cash flow statement, cash and its equivalent comprise the amounts in the balance sheet that have 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 at Banco de Moçambique.

m) Foreign currency transactions

Foreign currency transactions are converted at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency that are recorded in the accounts at their historic cost, are converted at the exchange rate on the date of the balance sheet. Foreign exchange differences arising from conversion are recognized in the income statement.

Non-monetary assets and liabilities denominated in foreign currency that are valued at their historical cost are converted at the exchange rate on the date of the respective movement.

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 pension 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 39 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 additional contributions 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 regime 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 21st 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 1st January 2004.

Taxes on profits recorded in the income statement 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 major segments:

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

q) Provisions

Provisions are recognised when (i) the Group has a present, legal or constructive obligation, (ii) it is probable that this payment will be that 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 basic 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 risk. 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 without a significant transferred insurance risk, but where the transferred financial risk has significant discretionary participation in income, is considered an investment contract. It is recognised 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 results, 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 unreceived premiums from direct insurance and assigned reinsurance

The provision for unreceived 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 the accounting principles of the Bank and its subsidiary are analyzed as indicated below, in order to improve understanding of how their application affects the income reported by the Bank and on a consolidated basis 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 the criteria adopted 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 the 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 valued individually and are based on the Management's best estimate of the current value of the expected cash flow. 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 clearly identified.

When evaluating 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 as to 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 for losses of specific counterparties, and the assumptions of the model and the parameters used in determining 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 the use of 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	
	2009	**2008**	**2009**	**2008**
Interest and similar income				
Interest on loans and advances	3,050,211	2,401,319	3,050,211	2,401,319
Interest on deposits and other applications	88,249	265,122	88,243	264,928
Interest on securities available for sale	1,107,992	920,747	1,061,084	903,677
	4,246,452	**3,587,188**	**4,199,538**	**3,569,924**
Interest expense and similar charges				
Interest on deposits and other resources	984,702	781,597	1,103,208	895,059
Interest on securities issued	19,622	10,522	53,541	58,884
Other interest and similar costs	1,798	860	1,798	860
	1,006,122	**792,979**	**1,158,547**	**954,803**
Net interest income	**3,240,330**	**2,794,209**	**3,040,991**	**2,615,121**

3. Dividends from equity instruments

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Dividends from investments in subsidiaries	-	-	96,696	73,768
Dividends from securities available for sale	1,260	1,022	-	-
	1,260	**1,022**	**96,696**	**973,768**

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	
	2009	**2008**	**2009**	**2008**
Fees and commissions income				
From guarantees	210,796	192,669	210,796	192,669
From banking services	435,900	389,633	469,053	413,486
From insurance activity	28,658	17,201	-	-
Other commissions	319,457	276,105	319,456	276,105
	994,811	**875,608**	**999,305**	**882,260**
Fees and commissions expenses				
From guarantees	2,598	3,575	2,598	3,575
From banking services	149	737	149	111
From insurance activity	28,333	24,305	-	-
Other commissions	41,396	42,588	41,395	42,587
	72,476	**71,205**	**44,142**	**46,273**
Net fees and commissions income	**922,335**	**804,403**	**955,163**	**835,987**

5. Net gains arising from trading activity

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Gains from financial transactions				
Foreign exchange operations	903,582	618,585	839,294	515,593
Other operations	6	37,692	6	37,692
	903,588	656,277	839,300	553,285
Losses from financial transactions				
Foreign exchange operations	34,895	143,580	7	45,609
Other operations	-	-	-	-
	34,895	143,580	7	45,609
	868,693	512,697	839,293	507,676

6. Other operating income

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Other operating income				
Income from real estate	9,820	8,980	889	372
Income from services	17,441	7,460	17,441	7,460
Reimbursement of expenditure	112,300	106,354	112,300	106,354
Insurance premiums	689,907	678,416	-	-
Other operating income	45,215	59,547	16,874	17,196
	874,683	860,757	147,504	131,382
Other operating costs				
Taxes	14,797	13,141	13,514	12,327
Donations and membership fees	12,521	8,827	12,521	8,826
Insurance claims	279,423	385,392	-	-
Other operating expenses	26,832	51,858	4,981	28,933
	333,573	459,218	31,016	50,086
	541,110	401,538	116,488	81,296

7. Staff costs

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Remunerations	991,458	874,199	917,400	810,698
Mandatory social security charges	42,850	30,822	32,572	25,144
Facultative social security charges	16,621	13,610	86,309	44,764
Other staff costs	5,863	3,180	3,907	2,374
	1,056,792	921,811	1,040,188	882,980

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

	Group		Bank	
	2009	2008	2009	2008
Board and Management	137	131	119	115
Specific/technical	762	707	662	605
Other functions	938	846	926	841
	1,837	1,684	1,707	1,561

The total remuneration paid by the Group and the Bank to the Board and other corporate bodies in the year ended 31st December 2009 and recorded under the Remuneration item was 52,136 thousand Meticais and 48,883 thousand Meticais, respectively (2008: 46,376 thousand Meticais e 41,790 thousand Meticais).

8. Other administrative costs

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Water, electricity and fuel	47,994	52,397	45,409	49,162
Consumables	86,904	78,575	84,393	75,521
Renting and hiring	42,425	39,265	120,627	117,164
Communications	83,337	74,018	76,650	68,982
Travel, per diem and representation	48,591	41,627	45,070	38,091
Advertising	57,535	38,296	52,955	36,038
Outsourcing services	44,642	36,422	27,982	21,366
Maintenance and repairs	82,364	61,900	77,499	58,002
Insurance	6,944	5,240	33,922	27,096
Legal, litigation and notary services	1,665	1,910	1,561	1,760
IT and consulting	380,147	202,075	378,457	199,856
Security and surveillance	38,062	34,226	36,817	32,758
Cleaning premises	19,042	19,013	19,042	19,013
Transporting cash	44,997	41,603	44,997	41,603
Training costs	26,072	23,871	26,072	23,843
Other suppliers and services	2,762	28,814	2,762	28,815
	1,013,483	**779,252**	**1,074,215**	**839,070**

9. Depreciation

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Intangible assets				
Software	8,764	9,702	6,511	9,146
Property and equipment				
Land and buildings	52,120	92,318	46,251	86,463
Equipment	165,722	138,992	159,766	132,935
Furniture	10,687	9,015	9,978	8,318
Machinery	7,968	6,211	7,836	6,085
Computer equipment	79,776	63,907	78,510	62,918
Interior fittings	19,367	16,215	19,367	16,215
Motor vehicles	34,464	31,607	30,953	27,772
Security equipment	11,329	9,854	11,329	9,854
Other equipment	2,131	2,183	1,793	1,773
Other tangible assets	33	108	33	108
	217,875	**231,418**	**206,049**	**219,506**
	226,640	**241,120**	**212,560**	**228,652**

10. Loans impairment

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Loans and advances to Customers				
For overdue loans and credit risks				
Impairment for the year	531,101	180,670	531,101	180,670
Recovery of loans and interest charged-off	(118,580)	(127,804)	(118,580)	(127,804)
	412,521	**52,866**	**412,521**	**52,866**

The item Loans 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	
	2009	**2008**	**2009**	**2008**
Provisions for indirect credit risks				
Charge for the year	50,513	63,753	50,513	63,753
Reversal for the year	(22,110)	(1,056)	(22,110)	(1,056)
Provisions for general banking risk				
Charge for the year	-	2,724	-	2,724
Reversal for the year	(904)	-	(904)	-
Other provisions for liabilities and charges				
Charge for the year	14,372	14,881	14,372	14,881
Reversal for the year	-	(16,712)	-	(12,441)
Technical insurance provisions				
Charge for the year	354,694	218,927	-	-
Reversal for the year	-	-	-	-
Provisions for other assets				
Charge for the year	-	467	-	467
Reversal for the year	(6,619)	(28,509)	(1,044)	(30,076)
	389,946	**254,475**	**40,827**	**38,252**

12. Income tax

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Current tax	429,423	376,818	333,240	298,662
Deferred tax	18,953	22,549	16,218	18,066
Total cost of taxes	**448,376**	**399,367**	**349,458**	**316,728**
Reconciliation of effective cost of taxes				
Net income before tax	2,474,347	2,264,345	2,268,320	2,072,029
Current taxes	458,441	413,776	362,931	331,525
Tax adjustments:				
Impact of non-deductible expenditure	3,294	3,774	2,690	3,109
Impact of non-deductible expenses	3,429	4,420	3,360	4,350
Cost deferred amortization	(16,218)	(18,066)	(16,218)	(18,066)
Interest on public debt	-	(11,589)	-	(6,758)
Fiscal incentives	(19,523)	(15,497)	(19,523)	(15,497)
Tax cost	**429,423**	**376,818**	**333,240**	**298,662**

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 21st 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 10 years from 1st January 2004.

13. Earnings per share

MZN'

	Bank	
	2009	2008
Net income	1,918,862,056	1,755,300,981
Number of shares	15,000,000	7,410,000
Earnings per share	**127,92**	**236,88**

14. Cash and deposits at Banco de Moçambique

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Cash	1,826,996	1,518,777	1,826,996	1,518,777
Banco de Moçambique	2,654,528	2,444,202	2,654,528	2,444,202
	4,481,524	**3,962,979**	**4,481,524**	**3,962,979**

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

According to Banco de Moçambique Notice 06/GBM/2009 the cash reserve system requires deposits at Banco de Moçambique equivalent to 8.0% of average daily deposits and other obligations.

According to Banco de Moçambique Notice 01/GBM/2008, in 2008 the cash reserve system required deposits at the Central Bank equivalent to 9.0% of average daily deposits and other obligations at the end of each period for the establishment of reserves.

15. Deposits in credit institutions

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Credit institutions in Mozambique	59,150	342,987	59,150	342,987
Credit institutions abroad	268,578	251,901	268,578	251,901
	327,728	**594,888**	**327,728**	**594,888**

The item Deposits in credit institutions within the country includes 12,673 thousand Meticais in amounts payable to the Bank and the Group that are essentially checks due for collection on other credit institutions on 31st December 2009.

16. Loans and advances to credit institutions

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Credit institutions in Mozambique	-	953,623	-	953,621
Credit institutions abroad	4,548,135	4,166,109	4,548,135	4,166,109
	4,548,135	**5,119,732**	**4,548,135**	**5,119,730**

17. Loans and advances to Customers

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Loans and advances with tangible guarantees	7,043,859	4,249,234	7,043,859	4,249,234
Loans and advances with other guarantees	14,596,590	9,015,041	14,596,590	9,015,041
Unsecured loans	3,293,864	1,577,818	3,293,864	1,577,818
Loans and advances to the public sector	217,606	206,222	217,606	206,222
Financial leases	2,887,274	2,312,523	2,887,274	2,312,523
Factoring transactions	432,325	278,622	432,325	278,622
	28,471,518	**17,639,460**	**28,471,518**	**17,639,460**
Overdue loans – less than 90 days	43,824	15,127	43,824	15,127
Overdue loans – over 90 days	247,369	145,846	247,369	145,846
	28,762,711	**17,800,433**	**28,762,711**	**17,800,433**
Impairment for credit risk	(1,222,731)	(782,999)	(1,222,731)	(782,999)
	27,539,980	**17,017,434**	**27,539,980**	**17,017,434**

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

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Short term				
Discounted bills	636,276	310,306	636,276	310,306
Current account credits	3,396,195	2,182,137	3,396,195	2,182,137
Overdrafts	1,729,699	1,352,063	1,729,699	1,352,063
Loans	5,272,532	1,845,026	5,272,532	1,845,026
Factoring transactions	432,325	278,622	432,325	278,622
	11,467,027	**5,968,154**	**11,467,027**	**5,968,154**
Medium and long-term				
Discounted bills				
Loans	13,100,262	8,500,380	13,100,262	8,500,380
Mortgage credit	1,010,621	858,403	1,010,621	858,403
Financial leases	2,893,608	2,312,523	2,893,608	2,312,523
	17,004,491	**11,671,306**	**17,004,491**	**11,671,306**
Overdue loans – less than 90 days	43,824	15,127	43,824	15,127
Overdue loans – over 90 days	247,369	145,846	247,369	145,846
	291,193	**160,973**	**291,193**	**160,973**
Impairment for credit risk	(1,222,731)	(782,999)	(1,222,731)	(782,999)
	27,539,980	**17,017,434**	**27,539,980**	**17,017,434**

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

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Agriculture and forests	1,768,907	995,227	1,768,907	995,227
Extractive industries	21,973	23,720	21,973	23,720
Food, beverages and tobacco	1,243,171	1,360,185	1,243,171	1,360,185
Textiles	3,655	6,590	3,655	6,590
Paper, printing and publishing	46,124	30,331	46,124	30,331
Chemicals	472,067	34,246	472,067	34,246
Machinery and equipment	531,209	444,985	531,209	444,985
Electricity, water and gas	203,806	224,158	203,806	224,158
Construction	2,599,156	811,427	2,599,156	811,427
Commerce	6,945,058	3,592,235	6,945,058	3,592,235
Restaurants and hotels	827,074	753,004	827,074	753,004
Transport and communications	2,226,733	1,734,682	2,226,733	1,734,682
Services	2,927,895	2,013,225	2,927,895	2,013,225
Consumer credit	6,798,834	4,325,810	6,798,834	4,325,810
Mortgage credit	1,010,621	860,301	1,010,621	860,301
Other activities	1,136,428	590,307	1,136,428	590,307
	28,762,711	**17,800,433**	**28,762,711**	**17,800,433**
Impairment for credit risk	(1,222,731)	(782,999)	(1,222,731)	(782,999)
	27,539,980	**17,017,434**	**27,539,980**	**17,017,434**

The loans to Customers portfolio include 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 of activity is as follows:

MZN' 000

	2009	**2008**
Agriculture and forests	85,108	87,186
Extractive industries	-	2,627
Food, beverages and tobacco	30,416	32,314
Paper printing and publishing	10,238	-
Machinery and equipment	18,157	6,712
Electricity, water and gas	-	450
Construction	2,251	2,022
Commerce	28,815	18,138
Restaurants and hotels	49	-
Transport and communications	1,802	2,011
Services	3,794	2,344
Consumer credit	80,318	31,708
Other activities	9,246	-
	270,194	**185,512**

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

MZN' 000

	2009	**2008**
Loans and advances with tangible guarantees	6,311	7,970
Loans and advances with other guarantees	118,614	63,436
Unsecured loans	110,941	45,779
Loans and advances to the public sector	126	151
Financial leases	52,059	43,637
Factoring transactions	3,142	-
	291,193	**160,973**

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

MZN' 000

	2009	2008
Agriculture and forests	10,444	8,214
Extractive industries	6	1
Food, beverages and tobacco	1,333	5,753
Textiles	-	160
Paper, printing and publishing	2,270	1,288
Chemicals	17	11
Machinery and equipment	778	3,204
Electricity, water and gas	2,190	1,078
Construction	42,945	1,952
Commerce	12,426	14,138
Restaurants and hotels	195	98
Transport and Communications	843	11,965
Services	38,544	16,308
Consumer credit	173,446	94,579
Mortgage credit	2,878	1,881
Other activities	2,878	343
	291,193	**160,973**

Movements of impairment for credit risk are as follows:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Balance on 1st January	782,999	647,740	782,999	647,740
Impairment for the year	531,101	180,670	531,101	180,670
Reverse for the year	-	-	-	-
Transfers	(19,577)	32,145	(19,577)	32,145
Use of impairment	(99,713)	(90,097)	(99,713)	(90,097)
Exchange rate differences	27,921	12,541	27,921	12,541
Balance on 31st December	**1,222,731**	**782,999**	**1,222,731**	**782,999**

The following table shows impairment for credit risk by classes of overdue loans on 31st December 2009.

MZN' 000

	Classes 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**
Impairment for overdue loans	**39,032**	**70,453**	**65,516**	**175,001**
Impairment for outstanding capital related to overdue loans and other credits				**1,047,730**
Total impairment for credit risks				**1,222,731**

The following table shows impairment for credit risk by classes of overdue loans on 31st December 2008:

MZN' 000

	Classes of overdue loans			
	Up to 6 months	**6 months to 1 year**	**Over 1 year**	**Total**
Secured overdue loans	17,537	22,549	75,108	115,194
Impairment	10,689	10,889	51,682	73,260
Unsecured overdue loans	10,819	10,805	24,155	45,779
Impairment	4,877	6,762	17,175	28,814
Total overdue loans	**28,356**	**33,354**	**99,263**	**160,973**
Impairment for overdue loans	**15,566**	**17,651**	**68,857**	**102,074**
Impairment for outstanding capital related to overdue loans and other credits				**680,925**
Total impairment for credit risks				**782,999**

The analysis of impairment by sectors of activity is as follows:

MZN' 000

	2009	**2008**
Agriculture and forests	159,315	93,345
Extractive industries	2,277	8,449
Food, beverages and tobacco	37,729	57,089
Textiles	73	215
Paper, printing and publishing	8,788	3,811
Chemicals	9,444	688
Machinery and equipment	13,943	26,715
Electricity, water and gas	12,681	4,459
Construction	128,620	86,862
Commerce	177,816	101,256
Restaurants and hotels	16,622	15,211
Transport and Communications	57,786	45,883
Services	114,046	62,248
Consumer credit	397,002	233,314
Mortgage credit	41,350	31,327
Other activities	45,239	12,129
	1,222,731	**782,999**

Impairment by type of loan is analyzed as follows:

MZN' 000

	2009	**2008**
Loans and advances with tangible guarantees	74,571	168,422
Loans and advances with other guarantees	772,079	357,141
Unsecured loans	142,794	64,840
Loans and advances to the public sector	53,027	3,822
Financial leases	168,742	183,284
Factoring transactions	11,518	5,490
	1,222,731	**782,999**

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

MZN' 000

	2009	2008
Agriculture and forests	25,408	1,256
Extractive industries	-	-
Food, beverages and tobacco	305	1,239
Textiles	-	11,992
Paper, printing and publishing	-	-
Chemicals	-	9,795
Electricity, water and gas	6,133	1,227
Construction	1,351	997
Commerce	47,908	5,660
Restaurants and hotels	140	686
Transport and communications	-	1,885
Services	194	847
Consumer credit	18,274	54,467
Mortgage credit	-	-
Other activities	-	46
	99,713	90,097

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

MZN' 000

	2009	2008
Loans and advances with tangible guarantees	-	832
Loans and advances with other guarantees	10,018	45,044
Unsecured loans	46,652	36,320
Loans and advances to the public sector	-	-
Financial leases	43,043	7,901
Factoring transactions	-	-
	99,713	90,097

The analysis of recovered loans and overdue interest, that were charged-off during the year or in previous years, in 2009 and 2008 by type of loan is as follows:

MZN' 000

	2009	2008
Loans and advances with tangible guarantees	377	11,150
Loans and advances with other guarantees	21,012	70,491
Unsecured loans	97,181	10,440
Loans and advances to the public sector	-	-
Financial leases	10	35,723
Factoring transactions	-	-
	118,580	127,804

18. Financial assets available for sale

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

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Bonds and other fixed income securities				
Issued by public entities	9,495,490	7,369,515	9,338,359	7,147,245
Issued by other entities	96,314	104,714	-	-
	9,591,804	**7,474,229**	**9,338,359**	**7,147,245**
Shares and other variable income securities	25,005	21,426	7,922	7,818
Impairment for shares and other variable income securities	(7,098)	(7,098)	(7,098)	(7,098)
	9,609,711	**7,488,557**	**9,339,183**	**7,147,965**

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

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

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Bonds and other fixed income securities				
Issued by public entities				
Available for sale	9,495,490	7,369,533	9,338,359	7,147,245
	9,495,490	**7,369,533**	**9,338,359**	**7,147,245**
Issued by other entities				
Available for sale				
National	63,203	78,248	-	-
Foreign	33,111	26,448	-	-
	96,314	**104,696**	**-**	**-**
Shares and other variable income securities				
Available for sale	25,005	21,426	7,922	7,818
Held for trading	-	-	-	-
	25,005	**21,426**	**7,922**	**7,818**
Impairment for shares and other securities	(7,098)	(7,098)	(7,098)	(7,098)
	9,609,711	**7,488,557**	**9,339,183**	**7,147,965**

The movements of impairment for Financial assets available for sale are analyzed as follows:

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Balance on 1st January	7,098	7,098	7,098	7,098
Impairment for the year	-	-	-	-
Reversal for the year	-	-	-	-
Balance on 31st December	**7,098**	**7,098**	**7,098**	**7,098**

19. Investments in subsidiary companies

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
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 31st December 2008 the equity of the subsidiary ascends to 781,748 thousand Meticais.

On 31st December 2008 the Bank's percentage share in the subsidiary was as follows:

MZN

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

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

20. Property and equipment

In 2009 Group and Bank movements in the item Property and equipment are analyzed as follows:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Land and buildings	1,135,493	1,040,444	374,084	280,303
Work in rented buildings	372,148	339,914	372,948	336,178
Equipment				
Furniture	163,854	130,663	156,866	123,915
Office equipment	104,101	94,970	99,642	90,575
Computer equipment	792,575	645,189	749,004	605,143
Interior fittings	255,981	218,312	255,965	218,295
Motor vehicles	238,610	223,917	216,310	205,436
Security equipment	143,233	116,427	143,233	116,427
Other equipment	39,365	38,373	33,888	32,957
Other tangible assets	835	835	835	835
Work in progress	227,179	248,930	227,179	248,930
	3,473,374	3,097,974	2,629,954	2,258,994
Accumulated depreciation and impairment	(1,379,723)	(1,199,869)	(1,293,560)	(1,123,260)
	2,093,651	1,898,105	1,336,394	1,135,734

In 2009 the Group's movements in the item Property and equipment are analyzed as follows:

MZN' 000

	Balance on 1st January	Acquisitions/ Charges	Disposals/ Charged-off	Transfers	Balance on 31st Dec. 2009
Cost					
Land and buildings	1,040,444	4,175	(12,717)	103,590	1,135,493
Works in rented buildings	339,914	4,258	(6,473)	34,449	372,148
Equipment					
Furniture	130,663	7,349	(175)	26,018	163,854
Office equipment	94,970	9,299	(167)	-	104,102
Computer equipment	645,189	59,669	(3,799)	91,515	792,575
Interior fittings	218,312	13,994	(659)	24,335	255,982
Motor vehicles	223,917	34,161	(19,469)	-	238,609
Security equipment	116,427	11,964	(59)	14,902	143,233
Other tangible assets	39,208	1,007	(15)	-	40,201
Work in progress	248,929	273,056	-	(294,808)	227,178
	3,097,974	418,933	(43,533)	-	3,473,374
Accumulated depreciation					
Land and buildings	(91,118)	(20,108)	17,356	1,091	(92,779)
Works in rented buildings	(108,478)	(32,012)	(799)	(408)	(141,697)
Equipment					
Furniture	(87,170)	(10,687)	174	-	(97,684)
Office equipment	(59,447)	(7,968)	165	-	(67,250)
Computer equipment	(483,910)	(79,776)	1,962	-	(561,723)
Interior fittings	(132,313)	(19,367)	285	(285)	(151,680)
Motor vehicles	(148,849)	(34,464)	18,806	-	(164,507)
Security equipment	(59,897)	(11,329)	59	(534)	(71,701)
Other tangible assets	(28,688)	(2,164)	15	136	(30,702)
	(1,199,869)	(217,875)	38,022	-	(1,379,723)

In 2009 the Bank's movements in the item Property and equipment are analyzed as follows:

MZN' 000

	Balance on 1st January	Acquisitions/ Charges	Disposals/ Charged-off	Transfers	Balance on 31st Dec. 2009
Cost					
Land and buildings	280,303	2,908	(12,717)	103,590	374,084
Works in rented buildings	336,178	2,751	-	34,020	372,950
Equipment					
Furniture	123,915	7,109	(175)	26,018	156,866
Office equipment	90,575	9,234	(167)	-	99,641
Computer equipment	605,143	55,716	(3,799)	91,943	749,004
Interior fittings	218,295	13,994	(659)	24,335	255,965
Motor vehicles	205,436	30,083	(19,209)	-	216,310
Security equipment	116,427	11,964	(59)	14,902	143,233
Other tangible assets	33,793	945	(15)	-	34,723
Work in progress	248,930	273,056	-	(294,808)	227,179
	2,258,994	407,760	(36,800)	-	2,629,954
Accumulated depreciation					
Land and buildings	(63,850)	(15,563)	12,717	1,091	(65,605)
Works in rented buildings	(106,765)	(30,686)	-	(408)	(137,860)
Equipment					
Furniture	(83,422)	(9,978)	174	-	(93,226)
Office equipment	(55,743)	(7,836)	165	-	(63,415)
Computer equipment	(459,852)	(78,510)	3,789	-	(534,574)
Interior fittings	(132,296)	(19,367)	285	(285)	(151,663)
Motor vehicles	(137,092)	(30,953)	18,546	-	(149,500)
Security equipment	(59,897)	(11,329)	59	(534)	(71,701)
Other tangible assets	(24,341)	(1,826)	15	136	(26,016)
	(1,123,260)	(206,048)	35,749	-	(1,293,560)

21. Goodwill and intangible assets

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Intangible assets				
Software	275,579	266,226	275,579	266,226
Work in progress	7,148	6,318	4,641	3,812
	282,727	272,544	280,220	270,038
Accumulated depreciation	(260,471)	(253,960)	(260,471)	(253,960)
	22,256	18,584	19,749	16,078
Difference between consolidation and revaluation (Goodwill)				
Seguradora Internacional de Moçambique, S,A	122,313	122,313	-	-
	144,569	140,898	19,749	16,078

In 2009 the Group's movements in the item intangible assets is analyzed as follows:

MZN' 000

	Balance on 1st January	Acquisitions/ Charges	Disposals/ Charged-off	Transfers	Balance on 31st Dec. 2009
Cost					
Software	266,226	5,540	-	3,813	275,579
Work in progress	6,318	4,643	-	(3,813)	7,148
	272,544	10,183	-	-	282,727
Goodwill	122,313	-	-	-	122,313
	394,857	10,183	-	-	405,040
Accumulated depreciation					
Software	(253,960)	(6,511)	-	-	(260,471)
Net value/amount	140,898	3,672	-	-	144,569

In 2009 the Bank's movements in the item intangible assets is analyzed as follows:

MZN' 000

	Balance on 1st January	Acquisitions/ Charges	Disposals/ Charged-off	Transfers	Balance on 31st Dec. 2009
Cost					
Software	266,226	5,540	-	3,813	275,579
Work in progress	3,812	4,642	-	(3,813)	4,641
	270,038	10,182	-	-	280,220
Accumulated depreciation					
Software	(253,960)	(6,511)	-	-	(260,471)
Net value/amount	16,078	3,671	-	-	19,749

22. Deferred tax assets

On 31st December 2009 and 2008 movements in the item Deferred tax assets were due to temporary differences of the following kind:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Intangible assets	-	2,485	-	2,485
Impairment losses	4,016	8,032	4,016	8,032
Retirement pensions	15,718	25,435	15,718	25,435
	19,734	35,952	19,734	35,952

Deferred tax assets related to losses carried forward are only recognized if the existence of future tax profits is probable. Uncertainty about the recoverability of the tax losses carried forward is considered in the deferred tax assets calculation.

Movements during the year in the item Deferred tax assets are as follows:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Balance on 1st January	35,952	54,018	35,952	54,018
Charges for the year	16,218	18,066	16,218	18,066
Movements in reserves	-	-	-	-
	19,734	35,952	19,734	35,952

23. Other assets

On 31st December 2009 the item Impairment for other assets for the Group and the Bank includes 120,092 thousand Meticais (2008: 102,868 thousand Meticais) for impairment related to Investments arising from recovered loans.

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Debtors	13,932	7,675	12,293	5,497
Investments arising from recovered loans	191,459	134,410	191,458	134,410
Other income receivable	17,591	2,859	17,591	7,525
Prepayments	6,055	4,744	4,888	3,189
Income received from subsidiary activities	191,204	94,161	-	-
Other	211,812	70,612	210,713	52,932
	632,053	314,461	436,943	203,553
Impairment for other assets	(144,301)	(132,509)	(130,552)	(113,185)
	487,752	181,952	306,391	90,368

Impairment for other assets movements, for the Group and the Bank, are as follows:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Balance on 1st January	132,509	134,587	113,185	128,418
Impairment for the year	-	467	-	467
Reversal for the year	(6,619)	(28,509)	(1,044)	(30,076)
Amounts charged-off	-	(215)	-	(215)
Transfers	17,143	27,451	17,143	14,297
Exchange rate differences	1,268	(1,273)	1,268	294
Balance on 31st December	144,301	132,509	130,552	113,185

24. Deposits from other credit institutions

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Deposits from other credit institutions repayable on demand	22,623	39,880	22,623	39,880
Term deposits from credit institutions	1,589,368	150,925	1,589,368	150,925
	1,611,991	**190,805**	**1,611,991**	**190,805**
Term deposits from credit institutions				
Deposits from credit institutions in Mozambique	1,434,544	42,334	1,434,544	42,334
Deposits from credit institutions abroad	154,824	108,591	154,824	108,591
	1,589,368	**150,925**	**1,589,368**	**150,925**

On 31st December 2009 the item Deposits from other credit institutions in the country included for the Bank 1,404,772 thousand Meticais related to use of the Banco de Moçambique's Permanent Lending Facility.

25. Deposits from Customers

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Current deposits	24,619,972	17,916,379	24,656,380	17,961,832
Term deposits	10,548,031	8,732,612	10,694,066	9,035,506
Other resourcess	2,311,040	1,621,734	3,745,819	2,400,175
	37,479,043	**28,270,725**	**39,096,265**	**29,397,513**

26. Debt securities issued

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Debenture loans				
BIM Bonds 2003-2013	-	-	66,975	67,550
	-	**-**	**66,975**	**67,550**

Description of issue	**Date of issue**	**Date of reimbursement**	**Interest Rate %**	**Unit nominal Value MZN**
BIM bonds 2003-2013	02-09-2003	22-09-2013	(a)	100

(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, roumded to the nearest 1/16 of the higher percentage point.

27. Provisions for liabilities and charges

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Provisions for guarantees and other commitments	135,025	98,681	135,025	98,681
Provisions for general banking risks	11,601	12,472	10,251	11,122
Provisions for other risks and charges	40,555	23,749	40,555	23,749
Technical provisions for the insurance activity	2,267,716	1,829,844	-	-
	2,454,897	**1,964,746**	**185,831**	**133,552**

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

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Balance on 1st January	98,681	66,550	98,681	66,550
Charge for the year	50,513	63,753	50,513	63,753
Reversal for the year	(22,110)	(1,056)	(22,110)	(1,056)
Transfers	-	(31,939)	-	(31,939)
Exchange rate differences	7,941	1,373	7,941	1,373
Balance on 31st December	**135,025**	**98,681**	**135,025**	**98,681**

Movements in Provisions for general banking risks are as follows:

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Balance on 1st January	12,472	9,330	11,122	8,389
Charge for the year	-	2,724	-	2,724
Reversal for the year	(904)	-	(904)	-
Exchange rate differences	33	418	33	9
Balance on 31st December	**11,601**	**12,472**	**10,251**	**11,122**

Movements in provisions for general banking risks are to cover potential contingencies arising from ongoing legal cases.

Movements in provisions for other risks and charges are as follows:

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Balance on 1st January	23,749	33,947	23,749	33,947
Charge for the year	14,372	14,881	14,372	14,881
Reversal for the year	-	(6,188)	-	(6,188)
Transfers	2,434	34	2,434	34
Exchange rate differences	-	3	-	3
Amounts charge-off	-	(18,928)	-	(18,928)
Balance on 31st December	**40,555**	**23,749**	**40,555**	**23,749**

Movements in technical provisions for insurance activity are as follows:

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Balance on 1st January	1,829,844	1,675,555	-	-
Charge for the year	354,694	218,928	-	-
Transfers	139,389	12,109	-	-
Amounts charge-off	(56,211)	(76,748)	-	-
Balance on 31st December	**2,267,716**	**1,829,844**	**-**	**-**

28. Subordinated debt

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Shareholders´ supplementary entries				
BCP Internacional II, SGPS, Lda	183,473	157,733	183,473	157,733
Mozambique State	101,704	100,022	101,704	100,022
	285,177	257,755	285,177	257,755
Subordinated debt				
BIM Bonds 2003-2013	-	-	85,693	85,883
BIM Bonds 2006-2016	-	-	176,427	176,817
	-	-	262,120	262,700
	285,177	257,755	547,297	520,455

Supplementary payments by shareholders are analyzed as follows:

Shareholder	Start Date	Interest Rate	Amount	Currency
BCP Internacional II, SGPS, Lda.	20-06-2001	2.480%	6,180,176	USD
Mozambican State	20-06-2001	4.9775% (*)	100,000,000	MZN

(*) Rate corresponds to 50% of Banco de Moçambique´s Official Discount Rate

Subordinated debt is as follows:

Description of Issue	Issue Date	Reimbursment Date	Interest Rate %	Nominal Value MZN
BIM 2003-2013	23-11-2003	23-11-2013	(a)	100
BIM 2006-2016	14-12-2006	14-12-2016	(a)	100

(a) Rate corresponding to the weighted average rate by maturity and amount for the last 6 issues of Treasury Bills 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 1/16th of the higher percentage point.

29. Deferred income tax liabilities

Deferred income tax liabilities comprise essentially estimates of profit payable, net of payments retained at the source, but applicable to each financial year.

On 31st December 2009 and 2008 deferred tax liabilities were due to the following temporary differences:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Tangible assets	6,368	6,368	-	-
Financial assets available for sale (AFS)	3,402	3,053	-	-
Other	6,377	715	-	-
	16,147	10,136	-	-

30. Other liabilities

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Suppliers	57,427	37,497	7,571	425
Sundry creditors	63,707	51,590	42,754	17,266
VAT to be settled	9,303	6,264	9,303	6,264
Retained taxes	36,692	32,430	31,370	27,933
Social Security contributions	3,459	3,353	3,459	3,353
Accrued expenditure	115,810	94,718	112,501	91,576
Holiday pay and subsidies	327,239	246,718	310,271	233,060
Deferred income	28,369	30,682	28,369	30,681
Earmarked resources	68,691	88,865	68,691	88,865
Other liabilities	11,248	40,139	9,812	38,953
	721,945	**632,255**	**624,101**	**538,375**

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.

In 2009 the capital was increased following the incorporation of part of the Free Reserve, amounting to 759,000,000 Meticais, through the issue of 7,590,000 new shares each with a nominal value of 100 Meticais.

On 31st December 2009 the shareholding structure is as follows:

	Dec. 09 Nº shares	% shareholding	Dec. 08 N.º shares	% shareholding
BCP Internacional II, SGPS, Lda	10,002,820	66,69%	4,941,393	66.69%
Mozambique State	2,568,249	17,12%	1,271,440	17.16%
INSS – Instituto Nacional de Segurança Social	742,603	4,95%	366,846	4.95%
EMOSE – Empresa Moçambicana de Seguros, SARL	622,103	4,15%	307,319	4.15%
FDC – Fundação para Desenvolvimento da Comunidade	162,620	1,08%	80,334	1.08%
Managers, Technicians and Employees (GTT)	901,605	6,01%	442,668	5.97%
	15,000,000	**100,00%**	**7,410,000**	**100.00%**

32. Reserves and retained earnings

MZN' 000

	Group		Bank	
	2009	**2008**	**2009**	**2008**
Legal reserve	741,000	535,702	741,000	535,702
Interest-free loan	-	19,202	-	19,202
Other reserves and retained earnings	2,260,359	1,819,984	1,915,819	1,563,640
Net income for the year	2,005,440	1,846,477	1,918,862	1,755,301
	5,006,799	**4,221,365**	**4,575,681**	**3,873,845**

The item Interest-free loan corresponds to the value of a transaction of the former BPA branch in Mozambique amounting to 6.2 million USD that was retained on behalf of the Banco Comercial Português S.A. The loan was repaid in full to the shareholder in June 2009.

Under Mozambican legislation – Law 15/99 on Credit Institutions – every year the Bank must increase its legal reserve by at least 15% of its net annual profit until it is equal to the share capital. Under normal circumstances the reserve cannot be distributed. Given the Bank's net profit in 2008, it must allocate a minimum of 205,298 thousand Meticais to the legal reserve in 2009.

33. Dividends

At the Ordinary General Meeting held on 25th March 2009 the Board of Directors decided to distribute 25% of the net profit as of 31st December 2009 to its shareholders, amounting to 438,825 thousand Meticais. This was done after having transferred the required amount to the legal reserve.

34. Guarantees and other commitments

Guarantees and other commitments are as follows:

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Guarantees issued	6,246,738	5,644,019	6,246,738	5,644,019
Guarantees received	64,200,909	42,030,593	64,200,909	42,030,593
Commitments to third parties	2,356,190	1,288,864	2,356,190	1,288,864
Assets received as guarantees	15,905,498	12,249,958	15,905,498	12,249,958
Foreign exchange spot operations				
Purchases	167,496	558,869	167,496	558,869
Sales	167,436	554,833	167,436	554,833
Foreign exchange forward operations				
Purchases	63,813	67,049	63,813	67,049
Sales	58,942	66,230	58,942	66,230
Securities and items held for safekeeping on behalf of Customers	985,802	849,431	985,802	849,431

35. Related parties

The Group's balances and transactions with related parties (Millennium Group) in the years ended 31st December 2009 and 2008 are presented below:

MZN' 000

	2009	2008
Investments	4,333,651	4,198,208
Income receivable	-	8,100
Resources	(30,116)	(7,986)
Expenditure to be paid	(77,098)	(44,103)
Subordinated debt	(180,410)	(157,594)
Income	(25,640)	(174,054)
Costs	288,890	148,580

36. Cash and cash equivalents

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

MZN' 000

	Group		Bank	
	2009	2008	2009	2008
Cash deposits	1,826,996	1,518,777	1,826,996	1,518,777
Loans and advances to credit institutions in Mozambique	59,150	342,987	59,150	342,987
Loans and advances to credit institutions abroad	268,578	251,901	268,578	251,901
	2,154,724	**2,113,665**	**2,154,724**	**2,113,665**

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, Loans and Advances in Other Credit Institutions, Deposits from other Credit Institutions, Deposits in 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 are close to the market rates for each kind of financial instrument, such that their fair value is identical to their book value.

- 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 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 6 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 31st December 2009, the number of participants covered by the Bank's retirement pension plan was as follows:

	2009	2008
Retirees and pensioners	514	487
Current Employees	1,773	1,607
	2,287	**2,094**

In accordance with the accounting policy described in 1 n), liability for Employee retirement pensions, based on the calculation of the actuarial value of projected benefits is analyzed as follows:

MZN' 000

	2009	2008
Past service liability	620,844	463,290
Retiree liability	813,868	794,680
Pensioner liability	86,681	87,344
Total liability	**1,521,393**	**1,345,314**
Value of coverage	1,481,609	1,346,437
Coverage difference	(39,784)	1,123
Cost for the year	69,716	31,185

In December 2009 the Bank recognized the difference in coverage in the item Staff costs.

The coverage value of retirement pensions is analyzed as follows:

MZN' 000

	2009	2008
For current Employees		
Accumulated value of the capitalization policy + estimate of profit sharing	581,060	464,413
For retired former Employees		
Assets + income allocated to annuity policy	900,549	882,024
	1,481,609	**1,346,437**

The assumptions used to calculate the actuarial value of liabilities are as follows:

	2009	2008
Usual retirement age:		
Men	60	60
Women	55	55
Rate of salary increase	11.90%	12.75%
Rate of pension increase	8.40%	10.25%
Fund rate of return	12.40%	14.25%
Mortality table	PF 60/64	PF 60/64

39. Consolidated net income statement by business segment

The business and geographical segments of this report by segments 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.

The Commercial Banking activity, which targets the retail banking and corporate segments, focuses on satisfying the financial needs of both individuals 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 Seguradora's products and services.

The Corporate segment that focuses on institutional Customers and companies whose scale of activity meets the Bank's selection criteria for this segment provides a wide range of added- alue products and services adapted to their financial needs.

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

The Bank is unaware of any other business segments under IFRS 8 other than those identified under IAS 14.

The accounting base used for management reports is essentially supported by IFRS.

Activities of business segments in 2009

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

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

The following information is based on Financial Statements prepared in accordance with IFRS.

MZN' 000

31st December 2009	Retail Banking	Corporate banking	Insurance	Others	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 costs	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	226,640
Total operating expenses	**1,279,829**	**1,047,133**	**153,085**	**(183,133)**	**2,296,914**
Loans impairment	193,536	218,985	-	-	412,521
Other provisions	25,662	15,164	349,120	-	389,947
Profit before income tax	**1,265,587**	**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	**1,030,666**	**889,457**	**208,100**	**(122,783)**	**2,005,440**

MZN' 000

31st December 2008	Retail Banking	Corporate Banking	Insurance	Others	Consolidated total
Net interest income	1,530,541	1,084,580	179,088	-	2,794,209
Net fees and commissions income	456,635	379,352	(31,584)	-	804,403
Net gains arising from trading activity	227,892	278,762	6,043	-	512,697
Other operating income	70,238	85,847	462,627	(216,152)	402,560
Total operating income	**2,285,306**	**1,828,541**	**616,174**	**(216,152)**	**4,513,869**
Staff costs	529,811	353,169	70,016	(31,185)	921,811
Other administrative expenses	503,463	335,607	51,382	(111,200)	779,252
Depreciation	137,197	91,455	7,924	4,545	241,120
Total operating expenses	**1,170,471**	**780,231**	**129,322**	**(137,840)**	**1,942,183**
Loans impairment	23,612	29,254	-	-	52,866
Other provisions	24,864	13,387	216,223	-	254,475
Profit before income tax	**1,066,359**	**1,005,669**	**270,629**	**(78,313)**	**2,264,345**
Income tax	142,528	174,201	82,638	-	399,367
Minority interests	-	-	-	18,501	18,501
Profit for the year	**923,831**	**831,468**	**187,991**	**(96,813)**	**1,846,477**

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 and each region.

The Millennium bim risk management policy is designed to ensure, at all times, an adequate relationship between its own funds and its activity and the corresponding assessment of the risk/return 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 operational – are presented below from a strictly accounting perspective from witch the Group and the Bank activity are subject.

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 issuer of a security or the counterpart in a contract, to fulfill their obligations as Millennium bim borrowers.

Market – Market risk reflects the potential loss inherent to a given portfolio due to changes in rates (interest and 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 price.

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

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

Interest Rate risk

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

Exposure to Foreign Exchange 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 for following and monitoring 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 dates of active contracts) as shown in the following tables that compare the situation as of 31st December with the same period in 2008.

MZN' 000

	Group						
31st December 2009	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**	**Without interest rate risk**	**Total**
Assets							
Cash and deposits at Banco de Moçambique	4,481,524	-	-	-	-	-	4,481,524
Deposits in other credit institutions	327,728	-	-	-	-	-	327,728
Loans and advances to other credit institutions	3,302,288	-	4,087	-	-	1,069	4,548,135
Loans and advances to Customers	10,529,785	2,609,279	13,876,968	287,009	940,670	(703,731)	27,539,980
Financial assets available for sale	2,712,800	2,754,950	4,458,293	-	-	(316,332)	9,609,711
Other assets	-	-	-	-	-	2,745,706	2,745,706
Total assets	21,354,124	6,604,921	18,339,348	287,009	940,670	1,726,712	49,252,784
Liabilities							
Deposits from other credit institutions	1,586,070	27,247	-	-	-	(1,326)	1,611,991
Deposits from Customers	31,176,713	3,129,450	3,183,261	-	-	(10,380)	37,479,043
Subordinated liabilities	-	-	280,399	-	-	4,778	285,177
Other liabilities	-	-	-	-	-	3,294,136	3,294,136
Total liabilities	32,762,783	3,156,697	3,463,660	-	-	3,287,207	42,670,347
Total assets and liabilities	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

	Group						
31st December 2008	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**	**Without interest rate risk**	**Total**
Total assets	16,227,086	5,615,759	12,631,970	81,446	372,089	1,512,147	36,440,497
Total assets and liabilities	25,098,582	1,628,288	1,956,379	-	-	7,757,248	36,440,497
Interest rate risk gaps	(8,871,496)	3,987,471	10,675,591	81,446	372,089	(6,245,101)	-
Accumulated interest rate risk gap	(8,871,496)	(4,884,025)	5,791,566	5,873,012	6,245,101	-	-

MZN' 000

Bank							
31st December 2009	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**	**Without interest rate risk**	**Total**
Assets							
Cash and deposits at Banco de Moçambique	4,481,524	-	-	-	-	-	4,481,524
Deposits in other credit institutions	327,728	-	-	-	-	-	327,728
Loans and advances to other credit institutions	3,302,288	1,240,692	4,087	-	-	1,069	4,548,135
Loans and advances to Customers	10,529,785	2,609,279	13,876,968	287,009	940,670	(703,731)	27,539,980
Financial assets available for sale	2,651,628	2,690,148	4,336,180	-	-	(338,773)	9,339,183
Other assets	-	-	-	-	-	2,038,416	2,038,416
Total assets	21,292,952	6,540,120	18,217,234	287,009	940,670	996,981	48,274,966
Liabilities							
Deposits from other credit institutions	1,586,070	27,247	-	-	-	(1,326)	1,611,991
Deposits from Customers	31,665,799	3,129,450	4,405,864	-	-	(104,848)	39,096,265
Debt securities issued	-	65,000	-	-	-	1,975	66,975
Subordinated liabilities	-	-	540,399	-	-	6,898	547,297
Other liabilities	-	-	-	-	-	876,757	876,757
Total liabilities	33,251,869	3,221,697	4,946,264	-	-	779,456	42,199,285
Total assets and liabilities	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	-	-

MZN' 000

Bank							
31st December 2008	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**	**Without interest rate risk**	**Total**
Total assets	16,158,222	5,546,583	12,450,872	81,446	372,089	868,064	35,477,276
Total assets and liabilities	25,204,511	1,895,231	3,069,684	-	-	5,307,850	35,477,276
Interest rate risk gap	(9,046,289)	3,651,352	9,381,189	81,446	372,089	(4,439,786)	-
Accumulated interest rate risk gap	(9,046,289)	(5,394,937)	3,986,251	4,067,697	4,439,786	-	-

(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 systems. These data are used to calculate changes in the market interest rate curve on the Bank's economic value, by remaining repricing maturity dates.

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

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

- **Sensitivity Indicator** – calculated by simulating the impact on the Bank's net income of a hypothetical 1% variation in the Banco de Moçambique revalued exchange rate.

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

MZN' 000

	Group					
	2009			2008		
	American dollars	Other foreign currencies	Total	American dollars	Other foreign currencies	Total
Assets						
Cash and deposits at Banco de Moçambique	324,451	172,671	497,123	321,926	92,559	414,485
Deposits in other credit institutions	83,403	-	83,403	102,087	152,233	254,320
Loans and advances to other credit institutions	3,736,017	812,117	4,548,135	3,886,972	279,137	4,166,109
Loans and advances to Customers	5,672,586	690,188	6,362,774	4,031,634	567,572	4,599,206
Financial assets available for sale	31,872	-	31,872	720	-	720
Other assets	28,340	23,475	51,816	36,327	9,503	45,830
	9,876,670	1,698,452	11,575,122	8,379,666	1,101,004	9,480,670
Liabilities						
Deposits from other credit institutions	127,946	36,251	164,197	10,502	112,921	123,423
Deposits from Customers	8,902,839	1,464,950	10,367,789	8,017,643	1,186,826	9,204,469
Provisions for liabilities and charges	331,643	73,759	405,402	55,880	-	55,880
Subordinated liabilities	180,411	-	180,411	157,617	-	157,617
Other liabilities	539,343	284,846	824,189	60,393	207,047	267,440
	10,082,182	1,859,807	11,941,988	8,302,034	1,506,794	9,808,828
Operational global position	(205,512)	(161,354)	(366,866)	77,632	(405,790)	(328,158)

MZN' 000

	Bank					
	2009			2008		
	American dollars	Other foreign currencies	Total	American dollars	Other foreign currencies	Total
Assets						
Cash and deposits at Banco de Moçambique	324,451	172,671	497,123	321,926	92,559	414,485
Deposits in other credit institutions	83,403	-	83,403	102,087	152,233	254,320
Loans and advances to other credit institutions	3,736,017	812,117	4,548,135	3,886,972	279,137	4,166,109
Loans and advances to Customers	5,672,586	690,188	6,362,774	4,031,634	567,572	4,599,206
Financial assets available for sale	824	-	824	720	-	720
Other assets	2,359	-	2,359	19,104	278	19,382
	9,819,641	1,674,977	11,494,618	8,362,443	1,091,779	9,454,222
Liabilities						
Deposits from other credit institutions	127,946	36,251	164,197	10,502	112,921	123,423
Deposits from Customers	8,902,839	1,464,950	10,367,790	8,017,643	1,186,826	9,204,469
Provisions for liabilities and charges	67,287	5,983	73,270	55,880	-	55,880
Subordinated liabilities	180,411	-	180,411	157,617	-	157,617
Other liabilities	539,343	284,846	824,190	348	52,345	52,693
	9,817,827	1,792,030	11,609,857	8,241,990	1,352,092	9,594,082
Operational global position	1,814	(117,054)	(115,240)	120,454	(260,313)	(139,860)

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

Net income in 2009 and 2008 shows that the Group and the Bank are within tolerance limits for foreign exchange risk, defined according to prudential norms established by Banco de Moçambique, whether per currency or for all currencies.

Liquidity risk

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

MZN' 000

Group					
31st December 2009	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**
Assets					
Cash and deposits at Banco de Moçambique	4,484,100	-	-	-	-
Deposits in other credit institutions	327,728	-	-	-	-
Loans and advances to other credit instiutions	3,303,474	1,241,991	4,125	-	-
Loans and advances to Customers	5,783,377	1,553,060	3,345,618	3,712,512	14,076,950
Financial assets available for sale	2,651,628	2,471,976	4,304,355	264,267	248,801
Total assets	16,550,308	5,267,027	7,654,098	3,976,779	14,325,751
Liabilities					
Deposits from other credit institutions	1,586,070	27,247	-	-	-
Deposits from Customers	27,286,377	4,243,627	6,040,765	-	11,530
Liabilities represented by securities	-	-	-	-	-
Subordinated liabilities	-	-	4,778	-	280,399
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

Group					
31st December 2008	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**
Total assets	11,902,173	4,890,558	6,165,096	2,986,067	9,209,416
Total liabilities	21,966,279	2,638,707	3,794,097	39,571	280,631
Liquidity Gaps	(10,064,106)	2,251,851	2,370,999	2,946,496	8,928,784
Accumulated Liquidity Gap	(10,064,106)	(7,812,254)	(5,441,255)	(2,494,760)	6,434,025

MZN' 000

Bank					
31st December 2009	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**
Assets					
Cash and deposits at Banco de Moçambique	4,484,100	-	-	-	-
Deposits in other credit institutions	327,728	-	-	-	-
Loans and advances to other credit institutions	3,303,474	1,241,991	4,125	-	-
Loans and advances to Customers	5,783,377	1,553,060	3,345,618	3,712,512	14,076,950
Financial assets avilable for sale	2,651,628	2,469,945	4,304,355	233,300	33,712
Total assets	16,550,308	5,264,996	7,654,098	3,945,812	14,110,662
Liabilities					
Deposits from other credit institutions	1,586,070	27,247	-	-	-
Deposits from Customers	27,775,334	4,243,627	7,263,369	-	11,530
Liabilities represented by securities	-	-	1,975	-	65,000
Subordinated liabilities	-	-	6,898	-	540,399
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

MZN' 000

Bank					
31st December 2008	**Up to 1 month**	**Between 1 and 3 months**	**Between 3 months and 1 year**	**Between 1 and 3 years**	**Over 3 years**
Total assets	11,902,173	4,900,948	6,084,735	2,986,067	8,978,149
Total liabilities	22,060,975	2,832,757	4,637,389	39,571	605,631
Liquidity Gaps	(10,158,802)	2,068,191	1,447,346	2,946,496	8,372,518
Accumulated Liquidity Gap	(10,158,802)	(8,090,611)	(6,643,265)	(3,696,770)	4,675,748

The Management is convinced that the contractual maturity of demand deposits do 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.

Operational risk

The Bank has adopted standards and practices that guarantee an efficient operational risk management, namely, the definition and documentation of these standards and implementation of 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 own funds of Banco Internacional de Moçambique's and of consolidated adjusted basis, are calculated in line with the applicable regulations, i.e. as stipulated in Banco de Moçambique's Notice 05/GBM/2007. Total own funds are the result of adding core own funds (Tier 1) and complementary own funds (Tier 2) and subtracting the Deductions component.

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

At the same time, to determine basic equity the following are deducted: other intangible assets, goodwill relating 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 net income, net income carried over or reserves.

Basic equity can also be influenced by the existence of 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 impairment, calculated according to International Accounting Standards, is lower than the credit provisions required by Banco de Moçambique Notice 7/GBM/07 calculated on an individual basis.

Complementary equity comprises subordinate debt, reserves arising from the revaluation of tangible fixed assets and, with the prior authorization by 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 the regulatory capital it is required to consider deductions in total equity, namely, the net value of non-financial assets recorded in the balance, received as reimbursement of own credit.

Disclosure of Capital

MZN' 000

	2009	2008
Tier I basic equity		
Paid up capital	1,500,000	741,000
Reserves and retained earnings	2,654,275	2,116,001
Intangible assets	(19,750)	(16,078)
Tier I Total equity	**4,134,525**	**2,840,923**
Tier II complementary equity		
Subordinated debt	355,160	414,557
Other	10,932	10,932
Tier II Total equity	**366,092**	**425,489**
Deduction from total equity	71,348	29,996
Eligible equity	4,429,269	3,236,416
Weighted assets by risk		
On-balance sheet	27,317,947	18,691,907
Off-balance sheet	2,774,166	5,244,271
Ratio of basic equity (Tier I I)	13.7%	11.9%
Ratio of complementary equity (Tier II)	1.2%	1.8%
Solvency ratio	**14.7%**	**13.5%**

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

Sector	Group									
	Dep. other Credit Instits.	Loans and advances credit instit.	Loans Advances Custom.	Financ, assets avail. for sale	Invest. in subsidiaries	Other assets	2009		2008	
							Total	%	Total	%
Public sector	-	-	217,606	9,497,738	-	-	9,715,344	22.8%	7,571,474	24.9%
Financial Institutions	327,728	4,548,135	-	35,763	-	-	4,911,626	11.5%	5,745,621	18.9%
Agriculture and forestry	-	-	1,609,592	-	-	-	1,609,592	3.8%	901,882	3.0%
Extractive Industries	-	-	19,696	-	-	-	19,696	0.0%	15,271	0.1%
Food, beverages and tobacco	-	-	1,205,442	3,932	-	-	1,209,374	2.8%	1,305,521	4.3%
Textiles	-	-	3,582	-	-	-	3,582	0.0%	6,375	0.0%
Paper, printing and publishing	-	-	37,336	-	-	-	37,336	0.1%	26,520	0.1%
Chemicals	-	-	462,622	-	-	-	462,622	1.1%	33,558	0.1%
Machinery and equipment	-	-	517,266	-	-	-	517,266	1.2%	418,270	1.4%
Electricity, water and gas	-	-	191,125	-	-	-	191,125	0.4%	219,699	0.7%
Construction	-	-	2,470,535	-	-	-	2,470,535	5.8%	724,565	2.4%
Commerce	-	-	6,767,242	-	-	-	6,767,242	16.1%	3,490,979	11.5%
Restaurants and hotels	-	-	810,452	-	-	-	810,452	1.9%	737,793	2.4%
Transport and communication	-	-	2,168,948	63,203	-	-	2,232,151	5.2%	1,764,205	5.8%
Services	-	-	2,813,849	9,075	-	-	2,822,924	6.6%	1,961,168	6.4%
Consumer credit	-	-	6,401,832	-	-	-	6,401,832	15.0%	4,092,496	13.5%
Mortgage credit	-	-	969,271	-	-	-	969,271	2.3%	828,974	2.7%
Other activities	-	-	873,584	-	-	550,938	1,424,522	3.3%	558,191	1.8%
	327,728	**4,548,135**	**27,539,980**	**9,609,711**	**-**	**550,938**	**42,576,492**	**100.0%**	**30,402,563**	**100.0%**

MZN' 000

Sector	Bank: Dep. other Credit Instits.	Loans and advances credit instit.	Loans Advances Custom.	Financ, assets avail. for sale	Invest. in subsidiaries	Other assets	2009 Total	2009 %	2008 Total	2008 %
Public sector	-	-	217,606	9,338,463	-	-	9,556,069	22.5%	7,349,186	24.2%
Financial Institutions	327,728	4,548,135	-	720	356,148	-	5,232,731	12.3%	6,071,486	20.0%
Agriculture and forestry	-	-	1,609,592	-	-	-	1,609,592	3.8%	901,882	3.0%
Extractive Industries	-	-	19,696	-	-	-	19,696	0.0%	15,271	0.1%
Food, beverages and tobacco	-	-	1,205,442	-	-	-	1,205,442	2.8%	1,303,096	4.3%
Textiles	-	-	3,582	-	-	-	3,582	0.0%	6,375	0.0%
Paper, printing and publishing	-	-	37,336	-	-	-	37,336	0.1%	26,520	0.1%
Chemicals	-	-	462,622	-	-	-	462,622	1.1%	33,558	0.1%
Machinery and equipment	-	-	517,266	-	-	-	517,266	1.2%	418,270	1.4%
Electricity, water and gas	-	-	191,125	-	-	-	191,125	0.5%	219,699	0.7%
Construction	-	-	2,470,535	-	-	-	2,470,535	5.8%	724,565	2.4%
Commerce	-	-	6,767,242	-	-	-	6,767,242	16.1%	3,490,979	11.5%
Restaurants and hotels	-	-	810,452	-	-	-	810,452	1.9%	737,793	2.4%
Transport and communication	-	-	2,168,948	-	-	-	2,168,948	5.1%	1,688,799	5.6%
Services	-	-	2,813,849	-	-	-	2,813,849	6.6%	1,950,977	6.4%
Consumer credit	-	-	6,401,832	-	-	-	6,401,832	15.1%	4,092,496	13.5%
Mortgage credit	-	-	969,271	-	-	-	969,271	2.3%	828,974	2.7%
Other activities	-	-	873,584	-	-	307,718	1,181,302	2.8%	466,607	1.6%
	327,728	4,548,135	27,539,980	9,339,183	356,148	307,718	42,418,892	100.0%	30,326,533	100.0%

To the Shareholders of BIM – Banco Internacional de Moçambique

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 December 2009, and the individual and consolidated statements on income, changes in equity and cash flow for the year ended on that day and the respective explanatory notes.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and correct presentation of these individual and consolidated financial statements in accordance with current International Financial Reporting Standards (IFRS). This responsibility includes: the conception, implementation and maintenance of the relevant internal control over the preparation and appropriate presentation of individual and consolidated financial statements that are free of material distortions, whether due to fraud or error; the selection and application of appropriate accounting policies; and ascertaining accounting estimates that are reasonable in the circumstances.

The 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 distortions.

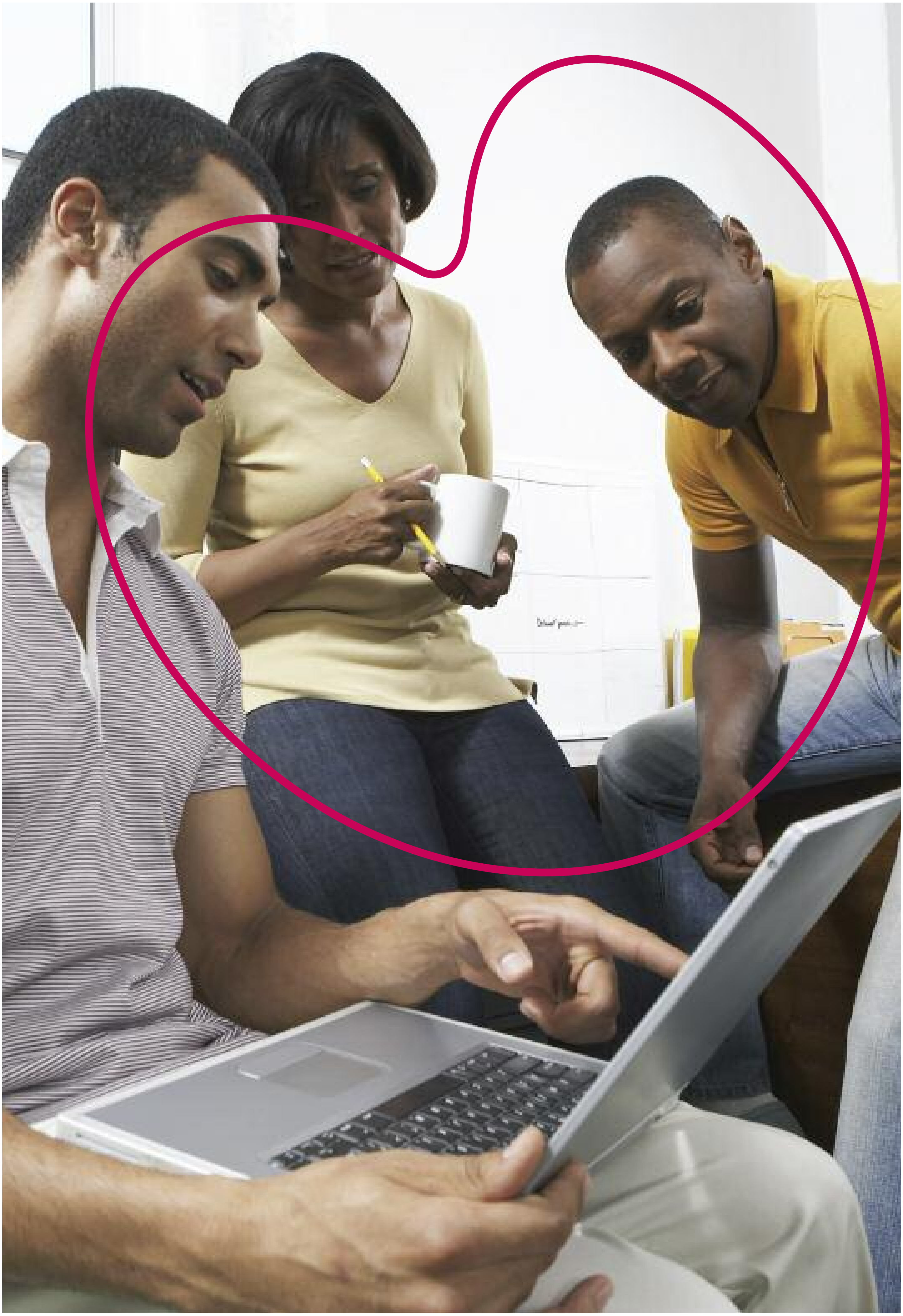
An audit involves procedures to obtain audit proof of the amounts and disclosures in the individual and consolidated financial statements. It is up to the auditor to select the procedures, including assessment of the risk of material distortion in the individual and consolidated financial statements, whether due to fraud or error. In making this risk assessment the auditor considers the internal control relevant over the preparation and appropriate presentation of the Bank's 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 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 31st December 2009, the individual and consolidated equity changes, and the individual and consolidated cash flow in the year ended on that date, in accordance with current International Financial Reporting Standards (IFRS).

Maputo, 18th February 2010



Report and Opinion of the Audit Board

In accordance with 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 ended 31st December 2009.

In addition to meeting throughout the year with the regularity required by law, the work of the Audit Board included monitoring the Bank's activity, essentially by studying the monthly Financial Statements and the respective Management Information, participating in meetings of the Board of Directors and though contacts with the Management and 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 16.% in net interest income (from 2,615.1 million Meticais in 2008 to 3,041.0 million Meticais in 2009) due to increased turnover, interest generating assets in particular,

i) the rise in the volume of net loans and advances to Customers (from 17,017.4 million Meticais in 2008 to 27,540.0 million Meticais in 2009); and

ii) growth in the portfolio of bonds and other fixed income securities available for sale (from 7,148.0 million Meticais in 2008 to 9,339.2 million Meticais in 2009).

• the rise of some 14.3% in net commissions (from 836.0 million Meticais in 2008 to 955.2 million Meticais in 2009), due to a rise in the volume of transactions generating commissions for the Bank.

• continued improvements in the quality of the credit portfolio (due to continued rigour in assessing risk when granting new loans) that, in addition to increasing the above-mentioned net credit, led to the following:

i) a rise in overdue loans from 161.0 million Meticais in 2008, to 291.2 million Meticais in 2009; and

ii) the ratio "overdue loans as a proportion of total loans" remained virtually the same, 0.9% in 2008 and 1.0% in 2009; and

iii) the volume of total provisions for loan risk impairment losses was 1,222.7 million Meticais in 2009, providing an overdue loan coverage ratio of 419.9% (compared to 486.4% in 2008).

- growth in the funds raised, with the financial statements showing that deposits from Customers rose from 29,486.4 million Meticais in 2008 to 39,096.3 million Meticais in 2009, in other word, a rise of 33.0%. These funds are being applied carefully, mainly in new loans and securities;

- a rise of 2,326.0 million Meticais in operating expenses (that include staff costs, other administrative expenses and depreciation) in 2009 (compared to 1,950.7 million Meticais in 2008) represents a rise of some 19.3% over the previous year.

- The Bank's net profits reached 1,918.9 million Meticais in 2009, a rise of 9.3% over the 1,755.3 million Meticais achieved the previous year.

The Audit Board also studied the Management and Accounts Report for 2009 and the Financial Statements audited by the External Auditor, including its Opinion, which states as follows:

- that the Consolidated Balance Sheet and the Balance Sheet of BIM - Banco Internacional de Moçambique , S.A. as at 31st December 2009, 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 2,005.4 million Meticais and profits for the Bank of 1,918.9 million Meticais, and that these represent the results of the activity of the Group and the Bank.

Following its verification and the information obtained, the Audit Board:

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

  i) are in compliance 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 31st December 2009, 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 Statement and that of the Banco Internacional de Moçambique, S.A., for the financial year ended on 31st December 2009;

- should approve the proposal on the application of the profits shown in the Bank's Financial Statement (on an individual basis), amounting to 1,918,862,056.00 Meticais, as follows:

– to the legal reserve	15.0%	287,829,308.40	Meticais
– to the free reserve	57.5%	1,103,345,682.20	Meticais
– to the dividend stabilization reserve	2.5%	47,971,551.40	Meticais
– distribution to shareholders	25.0%	479,715,514.00	Meticais

- Should express a vote of praise for the performance of the Board of Directors and all the other Millennium bim Employees for their performance in the financial year 2009.

Maputo, 18th February 2010

The Audit Board

António de Almeida – Chairman

Subhaschandra M. Bhatt – Member

Armando Pedro M. Junior – Member

Maria Iolanda Wane – Substitute Member

Annual Report 2009
BIM – Banco Internacional de Moçambique, S.A.

www.millenniumbim.co.mz

Head Office:
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Maputo/Mozambique

Equity:
MZN 1,500,000,000

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

Millennium
bim

Life inspires us