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2007
Annual Report

Millennium bim

Contents

BIM – Banco Internacional de Moçambique, S.A.

Statement by the Chairman

"We continue to believe that one of the main determining factors for the Country's growth is the quality of its human resources, an area that benefits from a significant portion of our social investment."

By this annual balance of our business, in a year once again marked by increased political and macroeconomic stability in Mozambique, we are particularly satisfied to observe that established medium-term goals were achieved and even exceeded, entailing an increased responsibility towards the challenges which will require added efforts on our part, as well as increased commitment.

Attentive to the opportunities and challenges entailed by a positioning at the forefront of the financial sector, we focused this year on redefining strategic objectives for 2007–2010, as well as implementing some operational and technological changes, in order to achieve sustained growth and ensure the Bank is prepared for its various expansion stages, without compromising the strengthening of its competitiveness.

Within this scope, the Bank reaffirmed its main objectives of maintaining a relevant and reference position in the market and improving profitability levels, while remaining innovative and actively developing new products and business lines.

2007 was also marked by the beginning of the branch network expansion program, since the Bank believes this will lead to increasing rates of banking service use within the national market, thereby contributing towards the Country's development, with particular emphasis on the financial sector.

Our Customers' lives constitute our source of inspiration, as well as our research field for developing new products and services, capable of increasing satisfaction levels and supporting individual or collective projects. "Life inspires us" is more than a simple motto to Millennium bim. It also represents a commitment and an action programme, an attitude of looking around us and a continuous attempt to improve the services we provide to our Customers.

With a view of strengthening commercial relations with our Customers, the Bank has been organising work meetings with Customers, the "Millennium bim Meetings", in several Mozambican provinces (Sofala, Gaza, Cabo Delgado and Manica, in 2007), with the main objectives, amongst others, of reinforcing the Bank's presence in the region and establishing closer relationships with its Customers. These opportunities for dialogue, in which public institution representatives and important personalities from the various provinces have participated, constituted a valuable regional debate forum, where Customers have had the opportunity to directly express their opinions and concerns to the Bank's top managers.

Mozambique is undergoing a regional integration stage, which necessarily requires the creation of basic structures ensuring greater corporate competitiveness and solid economic development. An innovative financial sector, stable and solid, based on increased efficiency, technological development and implementation of the best practices, is absolutely essential to the development of a healthy national economy. Millennium bim's business is sustained by these factors. This institution is constantly attentive and updated regarding the most recent Corporate Governance practices and International Financial Reporting Standards.

Risk management constitutes a fundamental aspect in financial institution business and sustainability, representing one of the main pillars on which the Millennium bim growth policy is based, by contributing to an adequate management of own fund levels, through correct evaluation of risk/return profiles for the various Bank business lines. New internal risk evaluation and monitoring models were introduced and consolidated throughout the year, allowing improvements in risk management, in accordance with the new international accounting standards.

The Employee management policy will remain guided by the principles of responsibility, professional development and strengthening of competences, so that Employees may respond to the challenges encountered, with quality and efficiency, motivation and commitment, responsibility and personal accomplishment.

On the other hand, social and economic changes that have occurred in the last few years have influenced the attitude of socially responsible companies. To Millennium bim, sustainability and performance are mutually dependent concepts. Our commitment to social responsibility was also evidenced by our attitudes and actions. Special attention will continue to be given to social responsibility, in the sense it guides our positioning.

We continue to believe one of the main determining factors for the Country's growth to be the quality of its human resources, an area benefiting from a significant portion of our social investment. Within the scope of our social actions, we sponsor education, culture and sports, thus contributing to public efforts towards the development of human resources.

The results achieved and the growth observed in our Customers' base, which exceeded 470,000 Customers in 2007 reflecting the increasing popularity of our services, have shown that our strategic options, decisions made and Shareholder support of our expansion program represented correct decisions, translated into full achievement of our set pre-established objectives.

We seek to assume these decisions with an awareness of the associated risks, while always attempting to achieve better results, however great a task.

Another remarkable fact was the continued process of expansion of our Shareholders' structure, with the share capital being already spread by over 1,300 individual Shareholders.

Inspired by life and maintaining our commitment and dedication to our Customers and to the guidelines defined by our Shareholders, we believe we will continue to deserve the confidence of the market, on which the success of our Institution is based.

A final word of gratitude to our Shareholders, all our Customers, Employees and the Authorities, which, by receiving our value proposal and subscribing to the products and services provided, as well as through their commitment and support in helping us achieve the objectives defined, allowed the Bank to attain its established goals, encouraging us to face new challenges.

Mário Machungo
Chairman of the Board
of Directors of Millennium bim

Summary of the Board of Directors' Report

2007 was marked by the beginning of the retail network expansion plan, strengthening of the business segmentation model initiated in the previous year, on a commercial level, and redefinition of strategic objectives for 2007–2010.

Within this scope, the Bank reaffirmed its objective of maintaining a relevant and reference position in the market, always focusing on technological innovation and development of new products, as well as increasing profitability and operating efficiency, through increased cross-selling, by exploiting Customer base potential and encouraging increased Customer loyalty.

The network expansion plan is an extremely important factor for Bank business, resuming a project discontinued in 2001, when all efforts and resources were focused on the Bank's economic and financial recovery, following the merger between BIM and BCM. It is believed that increasing acceptance of bank services by the national market and, consequently, the generation of new business opportunities, may be induced in this manner.

Within retail segments, efforts were focused on reducing the number of Mass Market branch transactions, creating alternative electronic banking channels and by implementing a selective pricing policy that promotes use of these in order to improve the quality of services.

Within this perspective of commitment towards Customer service improvement, the existence of a larger and more widespread offer should also be highlighted, through network redimensioning and diversification of Bank access channels. This is essential in order to have the commercial network to be able to ensure direct contact with Customers, regarding convenience and proximity.

Millennium bim, a socially responsible company, invested in a new concept of Branch, specially designed and aimed at areas lacking in infrastructures, thereby keeping its promise of including areas with difficult access, lacking bank financial services, in its commercial expansion plan, thus responding to the appeal made by the Mozambican Government to commercial banks to promote bank services in rural areas.

Ten new branches were opened during the year, three in rural areas, five in semi-urban areas and two in urban areas. For the Affluent Private and Business segment, consisting of Customers requiring personalised services, due to their specific interests, needs and dimension of their financial assets, the Bank opened five new specialised service areas, which contributed to a 20.5% increase in the Customer base, relatively to the previous year.

In its business activity, Millennium bim maintained its commitment on leading several projects with impact on the various national economy sectors, including the agricultural sector, traditionally less favoured by commercial banking.

The introduction of new convenience services and the option of expanding and strengthening the Corporate segment presence in the north of the country, where most of the economic developing projects are, were objectives established with a view to provide Customers with better services.

Emphasis should also be given to the launch of innovative products within the national market, focusing on the improvement and diversification of a product offer of undeniable usefulness and added value, able to meet the expectations of demanding Customers. The introduction of factoring is an example of this innovation, with Millennium bim being, once again, the first Bank to introduce this product in the market.

Business opportunities resulting from our innovative and diversified products and services offer, returning on our investment in cards and electronic banking and the moderate increase observed in operating costs, despite Branch network extension, lead to a positive development in results for the financial year in question.

In the financial year of 2007, Millennium bim's net income reached MZN 1,398,763 thousand, representing a 36.4% increase relatively to the MZN 1,025,387 thousand registered in the previous year.

The conversion process to the IFRS – Internacional Financial Reporting Standards, was successfully concluded, thus complying with international financial reporting standards, as well as Notice no. 04/GBM/2007 and the complementary dispositions issued by the Banco de Moçambique.

As a reflection of increased commercial dynamics, Customer Funds increased by 13.5% relatively to the previous year, reaching MZN 23,671,563 thousands. Total Customer loans increased by 18.9%, to MZN 12,503,472 thousand, due to an increase in consumer and company credit.

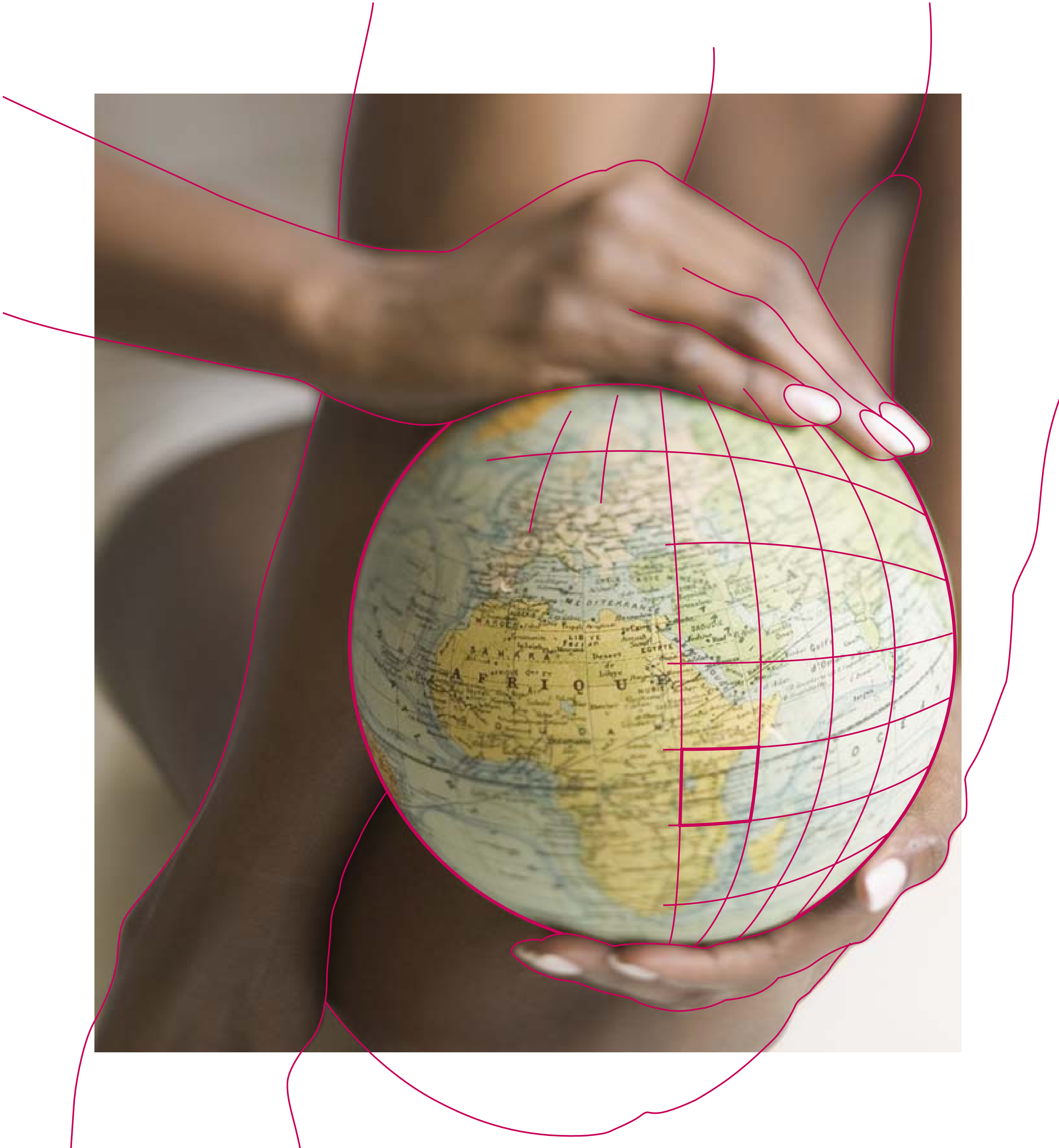
The 30.8% increase in Net Interest Income, the marked expansion of our services, with its consequent positive impact on net commissions, and our ability to contain costs, even considering network expansion, led to a considerable increase in net income, relatively to the previous year, as well as a significant improvement in the efficiency ratio, which reached 49.3% (56.7% in the previous year).

This increase in net income was reflected in the good performance observed for return on equity (ROE), which reached 44.1%, as well as return on average assets (ROA), of 5.3%.

Since its foundation, Millennium bim has valued its social function as a fundamental aspect of its mission, both by promoting professional qualification and personal development for its Employees and assuming its social responsibility to the community of which it is an integral part.

Within the scope of its social actions, Millennium bim maintained its decision of sponsoring education, culture and sports, as well as associating itself to solidarity movements always assuming a positive and committed posture regarding initiatives in which it becomes involved.

Macroeconomic and Financial Overview


A F R I Q U E

Macroeconomic and Financial Overview

World Economy

Despite the financial market developments associated with the default situations in the North--American sub-prime mortgage market, as well as a decrease in inflationary pressures – due to pressures on demand and restrictions of raw materials, with special emphasis on food and energy – a relatively steep growth of approximately 4.9% in the world's GDP estimated by the International Monetary Fund. A notorious difference can be observed between the main economic groups with the GDP in developed economies having slowed from 2.9% to 2.5%, between 2006 and 2007, whereas economic growth neared 8.1% in emerging economies, with BRIC – Brazil, Russia, India and China – contributing the most to sustain this increasing trend.

In 2007, raw material and energy demand by China and India evidenced a strong connection between inflationary pressures and these emerging economies, reducing the influence of USA economic cycles. According to the price index presented by "The Economist" commodity prices are estimated to have increased by 26%, food by 50% and oil by 80%, causing an inflation peak in the world's economy. The combination of this global inflation peak and the worsening of financial conditions resulting from the North-American sub-prime crisis contributed not only to crystallise a negative economic environment, characterised by increased volatility in stock market indices, entailing adoption of extraordinary measures by some governments and central banks of developed countries, but also to confirm recession fears, in the last months of 2007, which resulted in expectations of stagflation for the future, particularly in the most advanced economies.

United States of America

According to the IMF, estimated GDP growth in the USA was 1.9% in 2007 (2.9% in 2006), driven by an increase in exports – resulting from competitive gains due to the depreciation of the US Dollar, as well as corporate investment dynamics. On the other hand, the economic activity slowdown is explained by a steep fall in real-estate investment, resulting from a deterioration in the conditions on which financial institution financing models are based, in what concerns the high risk sub-prime mortgage market, as well as a reduction in private consumption, based on:

(i) a decrease in labour market offer with unemployment levels of approximately 5%;

(ii) a general increase in prices, with an annual growth of approximately 4.1%, registered in December 2007;

(iii) a decrease in house prices, resulting from the sub-prime market crisis, which resulted in a deterioration in the families confidence levels favouring an increase in the savings ratio.

In the end of 2007, the Federal Funds rate was 4.25%, being 100 base points less than in June and 25 base points less than in October. Successive cuts are expected in order to unblock normal economic activity growth anomalies and reduce the risk of a greater slowdown in economic activity, as a consequence of the sub-prime crisis. This shook investors confidence and entailed less exposure to investments in high-remuneration assets, in favour of refuge instruments, typically short-term government bonds. Regarding public finances, its deficit was estimated as 1.5% of the GDP, in 2007, whereas the external trade deficit was 5.7% of the GDP (6.2% in 2006).

European Union

By registering an actual GDP growth rate of 2.5%, in 2007 (2.8%, in 2006), EU economy registered a growth rate above the USA average and relatively equivalent to that of developed economies. Re-launch of production activities in the EU was supported by increased investment levels, especially in Germany, as a response to an expansion in regional and global equipment demand, increased construction activity and export dynamics, slightly dampened by a decrease in consumption, in the first half of 2007, following an increase in VAT in Germany and the uncertainty that characterised the pre-electoral period in France. Dynamics displayed by other economies, such as England (3.1%), Finland (4.3%), Ireland (4.6%) and countries in the integration stage strengthened GDP in the Community.

The knock-on effect of USA financial market turmoil (particularly from August onwards) was felt as pressure on the European Central Bank – which, despite policy aiming at a gradual increase in refinance interest rates, inverted this trend, by maintaining these rates stable, at 4%, in the end of 2007. This position was strengthened by fears of second-order effects related to salary review demands. After having increased the repo rate by 125 base points, between July 2006 and July 2007, following a steep increase in inflation, the Bank of England proceeded with a decrease of 25 base points in December, setting its key interest rate at 5.5%, as a result of a stronger than expected impact of the financial markets' crisis on British financial institutions. The average inflation rate was 2%, reaching 3% in England, due to increased fuel costs and a more restrictive monetary policy.

Japan

Japan's GDP growth rate was 2% in 2007, resuming the increasing trend observed in the last four years, benefiting from the positive effects of nearly nil interest rates (below 1%), maintenance of high government investment levels, continued good export performance (asset balance excess of USD 107,0 billion by November), expansion in private consumption supported by unemployment rates (4%) below the average registered by the most advanced countries (5.3%) and inflation rates below 1%. Company profits contributed to maintain high investment rates and healthy balance structures. The limited effect of the North-American sub-prime market crisis and capital outflow to more profitable investments should be highlighted.

China

China continues leading regional growth in Asia. A 11.5% GDP increase being expected for 2007 (11.1%, in 2006), sustained by an increase in exports, since the GDP percentage represented by the current transactions balance increased from 9.4%, in 2006, to 11.7%, in 2007 as well as due to capital outflow dynamics, as FDI (Foreign Direct Investment), resulting from increased productivity levels (annual increase of 20%) and large works undertaken for the Olympic Games besides a reduction in production costs, despite salary increases and inflationary fears, were influenced by the following factors:

(i) increase in food prices;

(ii) increased raw material demands (50% increase in metal demand);

(iii) necessary energy resources for industrial needs (20% of oil demand in 2007). This situation benefits from prudent macroeconomic policies regarding management of foreign exchange reserves and alteration of the legal framework, leading to investment flows from China to foreign countries by residents, non-residents and investment funds.

India

In India, the growth in economic activity was approximately 8.9% (9.7% in 2006), impelled by a robust increase in local demand, supported by a large investment flow to the Asian region and increased domestic consumption (over 40 million consumers). Despite the increase in exports, the trade balance continued to register a deficit of approximately 2.1% of the GDP, with inflation spiral risks being envisaged (inflation of 6.2%, relatively to 6.1%, in 2006), essentially resulting from a monetary policy characterised by an increase in credit, sparking fears of stock market turbulence.

Africa

According to IMF estimates, actual average Sub-Saharan GDP growth was approximately 6% in 2007, resulting from new investment dynamics in oil-exporting countries, with special emphasis on Angola (23.2%) and Sudan (11.2%), as well as other countries that succeeded in gradually building democratic institutions and leading more prudent economic policies, as well as the favourable conditions associated to an external framework that benefits FDI and raw material exports to Asian economies. Zimbabwe is the only country facing stagnation for several years.

Besides these developments, the increasing regional integration and cooperation should also be highlighted, particularly for the SADC region (with an average growth of 9.2%), which, as part of its integration, initiated the first stage of free trade (substantial lowering in customs barriers), creating a large-scale market and encouraging the development of important regional projects in collaboration with several countries, such as transportation, energy and telecommunication network. Despite this progress, the importance of external financial aid and the influence of the behaviour of developed economies on the world's economy constitute unpredictable factors regarding Africa's future performance.

As opposed to the aforementioned factors, a decrease in external debt and the gradual, albeit imperfect, diversification in revenue sources and commercial relations will tend to off-set the negative effect of alterations in global African economy conditions.

South Africa

Actual growth of GDP in South Africa has registered a slowdown throughout 2007, due to a tightening trend in monetary conditions. Following an actual GDP growth of 5.4%, in 2006, an increase slightly below 5% is estimated for 2007. Consumption and private investment growth rates are tending to be more sustained, resulting in a slowdown in the increase of the external deficit, whose levels are nevertheless high (8.1% of the GDP, in the third quarter). The South African Reserve Bank increased the interest rates by 200% during 2007 (as in 2006), setting the main revaluated rate at 11%. In this way, the monetary authority intends to counteract more persistent second-order effects in inflation evolution, particularly those associated to salary reviews. General inflation has remained higher than the target interval established by the Central Bank (3% to 6%) since April, due to fuel and food price increases.

Mozambican Economy

Economic Growth, Production and Prices

Estimated economic growth in Mozambique was 7.5% for 2007, continuing to follow the upward trend started in 1994, with an annual average growth rate of 8.2% in the last decade. The large-capital export sector – aluminium (Mozal), gas (Sasol) and minerals – registered substantial growth, due to the foreign direct investment with special emphasis on Moma heavy sands industry, whose production began in April 2007. In general, it is estimated that the processing industry represented approximately 13% of the GDP in 2007. The agricultural sector, which benefited from large investments in the recently, registered growth below its potential (10%), due to adverse climate conditions in the centre of the country, the effects of the "Fávio" cyclone, increased production costs resulting from high fuel prices, a weak business environment and poor infrastructures. This sector is estimated to represent approximately 24% of the GDP, employing 78% of the total EAP[1]. Sugar and tobacco should be highlighted as the main production contributors; cotton and cashew nuts, generally aimed at the external market, registered levels below their historic potential.

The services sector, namely transport and communications, registered a growth rate of 13% (up to September 2007, relative to the corresponding period the previous year), having benefited from investments in infrastructures (ports, railways, bridges and roads), which reinforced sea and rail transportation services to neighbouring countries. It is estimated that production should reach 11% of the GDP by the end of 2007. The construction sector registered the largest growth rate (54.1% by the third quarter of 2007), as a result of large public works and the construction of health centres and schools, within the scope of Millennium Objectives and the fight against poverty, in addition to increased house building dynamics, in the larger urban areas. This sector is estimated to represent approximately 5.5% of the GDP.

Financial services also registered a considerable growth, of approximately 21.6% (up to September 2007, relative to the corresponding period the previous year), supported by materialization of banking sector investments – expansion to rural areas, entry of new institutions, resulting from stability and attractive profitability levels, and the continuous modernisation of systems and procedures carried out by the larger banks. This sector contribuition is estimated to represent 5 to 6% of GDP in 2007.

Other sectors contributing to improved economic performance were: commerce (9%), real-estate rentals and services provided to companies (7.4%), electricity and water (5.3%) and the mining industry (0.8%).

Prices registered a general increase of approximately 10.26%, in 2007, above the projected 6%, due to an increase in fuel, grain, food and non-alcoholic beverages prices in most regions in the country. This trend was slightly dampened by a decrease in the prices of some essential products, such as tomato and chicken, resulting from an increased supply in the last two quarters. Inflation was influenced by imports and, although a relative stability in the Metical value against the US Dollar and the South African currency was observed, this was not sufficient to prevent increasing price trends, especially in the last quarter of 2007. Inflation due to higher demand was directly related to private consumption sustained by the ascending progression of consumer credit with lower interest rates, as well as higher minimum wages resulting from negotiations between the labour representatives and the government.

1 EAP: Economically Active Population.

The following table summarises some economic indicators in 2002–2007:

Values at the end of each year

	2002	2003	2004	2005	2006	2007(E)
Real GDP (a.v.r.)	8.2%	7.9%	7.5%	6.2%	8%	7.5%[a]
Inflation (average v.r.)	16.8%	13.4%	12.6%	6.4%	13%	8.2%[b]
Inflation (end of period)	9.1%	13.8%	9.1%	11.1%	9.4%	10.26%[b]
Money supply (a.v.r.)	20.1%	23.4%	6.1%	22.0%	21%	24.8%[c]
Balance of CAB (as % of GDP)	-20.6%	-19.5%	-9.5%	-12.0%	-8.9%	-9.2%
Budget Balance (as % of GDP)	-7.9%	-4.5%	-4.9%	-5.8%	-2%	-5.3%[d]
MZN/USD exchange rate at end of period	23,85	23,86	18,89	23,06	25,97	23,82[c]
% change in MZN/USD exchange rate[e]	2.3%	0.0%	-20.8%	22.0%	13%	-8.3%
MZN/ZAR exchange rate at end of period	2,73	3,52	3,38	3,62	3,82	3,45
% change in MZN/ZAR exchange rate	22.2%	28.7%	-4.0%	7.1%	11%	-5.5%

Notes: E – estimates, except exchange rates; a – EIU, b – INE, c – Banco de Moçambique (BdM), d – EIU, 7.2% up to September (BoM); e – a negative sign indicates MZN appreciation.

Balance of Payments

After some years of investments in mega-projects (aluminium, gas and minerals), goods corresponding to these projects continued to sustain a superavit of approximately USD 488 million, representing a 3% increase relative to the corresponding period in 2006. In addition, following some years of intensive investment in agriculture (tobacco, cotton, wood) and increasing energy production, sustained by South African and Zimbabwe demand, exports continued to register an ascending trend, which explains an improvement in the trade balance, in the sense of reducing the corresponding deficit to levels equivalent to an 88% import covered by exports. On a structural level, it should be emphasised that the large projects (up to the 3rd quarter of 2007) contribuition to exports is estimated to have increased (76.6%) by approximately 12.5%, offsetting a reduction in revenue from other sectors. This is explained by price reductions in the international market and, in certain cases by the closing of factories and increased offer to other countries (shrimp, sugar, cashew kernel and nuts), which affected the corresponding export revenues. The current account deficit is estimated as 9.2% of the GDP in 2007.

Public Finances[2]

According to official estimates, the budget deficit before grants reached 7.2% of the GDP, slightly above 2006 levels (7.1%). A determining factor in public accounts performance, within a climate of economic growth, was the dynamics set in motion by the Tributary Authority of Mozambique, created in 2006, which resulted in increased collection and settlement of taxes from large taxpayers (IRPS and IRPC), leading to a 26.1% increase in tax revenue, above expected levels, which was slightly reduced by a decrease in value added tax (VAT) and customs duty. On the other hand, current costs were above projected levels – salaries and pensions (25.4%), acquisition of goods, services and investment costs (17.6%), counteracting the increasing trend in revenue collection. The budget deficit financing structure continues to depend, to a large extent, on external aid.

2 Estimates up to September 2007, with annual variations calculated relatively to September 2006.

Monetary Evolution and Exchange Rate

In 2007, the country's monetary authorities programmed money offer control, in order to contain inflation at 6%, allowing consolidation of the Metical stability against the main currencies used in transactions with non-residents. Effectively, the monetary aggregate, M3, increased by approximately 27.9% (between November 2006 and November 2007), which was favoured by capital injection into the economy by the Government, the incoming of external funds, increased preference for banknotes and coins by the public and credit to the economy by the banking system, which increased by 20% in the period considered, with special focus on commerce (26%), industry (16%) and consumption (14%). This credit increase was influenced by decreases in commercial bank interest rates, following the downward trend in interbank monetary market interest rates, resulting from a cut in Banco de Moçambique intervention rates regarding regular liquidity supply facilities, from 17.5%, in December 2006, to 15.5%, in June 2007, the last ones remaining unaltered until the end of the year.

The exchange rate for the Metical against the US Dollar tended towards stabilisation, having varied within the MZN/USD 23 – 26 interval, which was due to several factors, namely:

(a) weakening of the American currency;

(b) strengthening of the exchange market and economic agent confidence, resulting from Metical stability expectations;

(c) increased availability of foreign exchange resulting from external financing. Regarding the South African currency, the Metical registered an estimated appreciation of 5.4%, up to December 2007.

Mozambican Financial System

Throughout 2007, increased intervention in the Foreign Exchange Interbank Market (MCI) by the Banco de Moçambique was observed, with bilateral interventions with commercial banks, through weekly currency sale interventions, by auction. These procedures contributed to stabilise exchange rates, while attempting to control inflation.

During the year, exchange rate stability was observed, with some Metical appreciation by the end of the year, due to Central Bank intervention by increasing the availability of US currency in the market.

Consequent appreciation of the Rand against the US Dollar and the increase in the prices of crude oil to approximately USD 100 per barrel led the Banco de Moçambique to decide on an increase in the value of the Metical, with the main objective of keeping inflation below one-digit figure.

The Banco de Moçambique launched two new financial instruments in the Interbanking Monetary Market (MMI), the Repos and the Reverse Repos – sales with repurchase agreements, operations currently performed between the Banco de Moçambique and commercial banks, through bilateral operations.

In the first quarter of 2007, the Central Bank made some alterations to the Mandatory Reserves regime, by widening the reserve base, reducing simultaneously the mandatory reserves coefficient to 10.15%, calculated on a daily basis.

Regarding introduction or alterations to existing regulations and legislation governing the functioning of the Mozambican Financial System, the following should be highlighted:

- **Notice no. 02/GBM/2007** – Mandatory Reserves – alteration of the reserve base and reduction in the mandatory reserves coefficient, to 10.15%, on a daily basis;
- **Notice no. 03/GBM/2007** – Customer Identification Documents in Financial Operations – it is mandatory for all financial institutions to have internal regulations clearly defining identification documents required from Customers.

The following were published in order to harmonise credit institution and finance company accounting regimes with the International Financial Reporting Standards (IFRS):

- **Notice no. 04/GBM/2007** – International Financial Reporting Standards – establishes general standards for governing the accounts of institutions supervised by the Banco de Moçambique and harmonises the accounting regime with the IFRS;
- **Notice no. 05/GBM/2007** – Own Funds – adjusts rules used in determining credit institution and finance company own funds to international standards;
- **Notice no. 06/GBM/2007** – Prudential Ratios and Limits – establishes these, as well as the necessary adaptations for financial institutions that do not present financial statements according to the IFRS;
- **Notice no. 07/GBM/2007** – Provision Limits – adjusts the formula used to calculate minimum provisions required by regulations to the IFRS, as well as the necessary adaptations for financial institutions that do not present financial statements according to the IFRS;
- **Notice no. 08/GBM/2007** – Consolidation – establishes situations where credit institutions and finance companies are subject to supervision, on an adjusted consolidated basis, adjusted by the Central Bank and sets rules relating to accounts consolidation and calculation of own funds;
- **Notice no. 09/GBM/2007** – Correlated Credit – defines the concepts of correlated entities and correlated credit, as well as corresponding conditions for this type of credit concession, according to the applicable International Accounting Standard (IAS 24), complementing conduct standards included in Law no. 15/99, from 1st November.

Within the scope of its strategy of extending financial services to rural areas, the Banco de Moçambique published the following:

- **Notice no. 10/GBM/2007** – establishes the regulations regime for banks and micro-financing companies wishing to expand their business to rural areas, through opening of branches or other forms of representation.

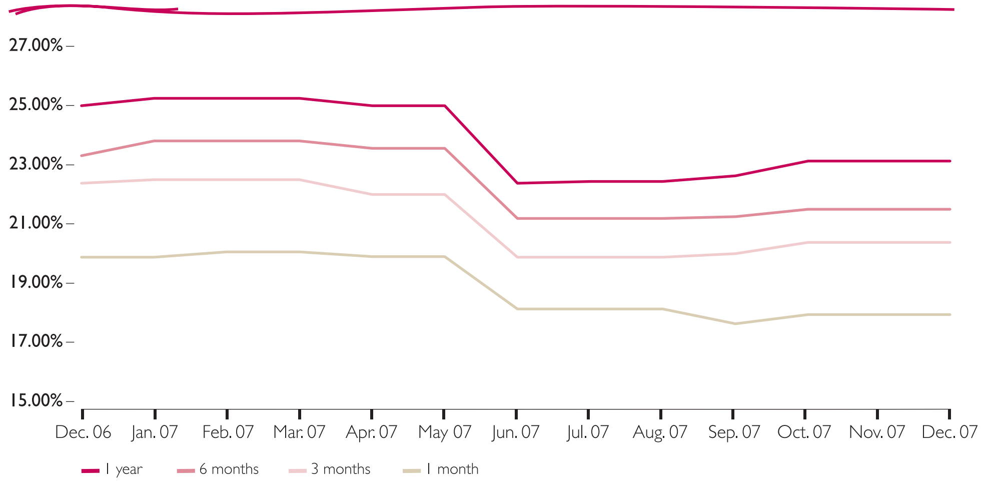
Within the scope of improving Interbank Markets, the Banco de Moçambique published the following:

- **Notice no. 11/GBM/2007** – Operations with Repurchase Agreements and Reselling of Fixed-Income Securities;
- **Notice no. 12/GBM/2007** – Exchange Rates to be practiced in the Foreign Exchange Interbank Market (MCI).

In the first half of the year, a Monetary Policy Committee (CPM) was created in order to coordinate monetary policy implementation, with the objectives of ensuring adequate economic liquidity levels, preserve national currency values, by keeping inflation low and stable, and reaching the defined net international reserves target. In the same period, security devices relative to payment means were introduced and validated, such as the BIN (Bank Identification Number) in EITs (Electronic Interbank Transfers) and a control digit on cheques, which contributed to the improvement of clearing information reliability.

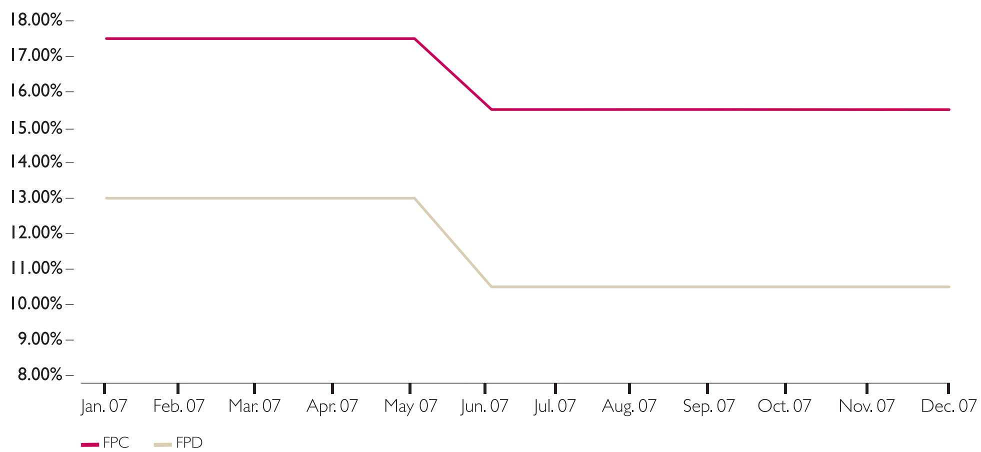
Regarding the interbank monetary market, the following MAIBOR rates prevailed, showing a decrease in the 2nd quarter and stability during the following quarters:

Maibor Rates in 2007



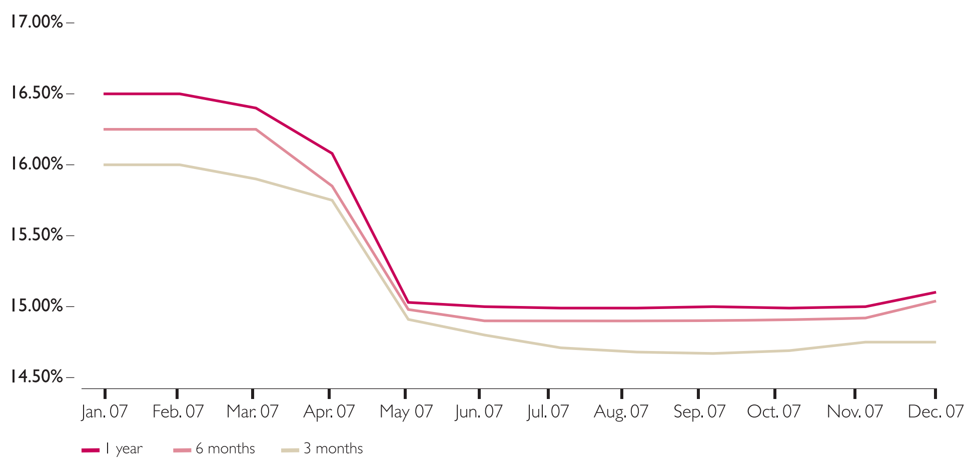
Banco de Moçambique intervention rates decreased relative to the end of the previous year, with the Permanent Deposit Facility (FPD) having fallen from 13.00% to 10.50%, and the Permanent Concession Facility (FPC) having dropped from 17.50% to 15.50%.

Reference Rates in 2007

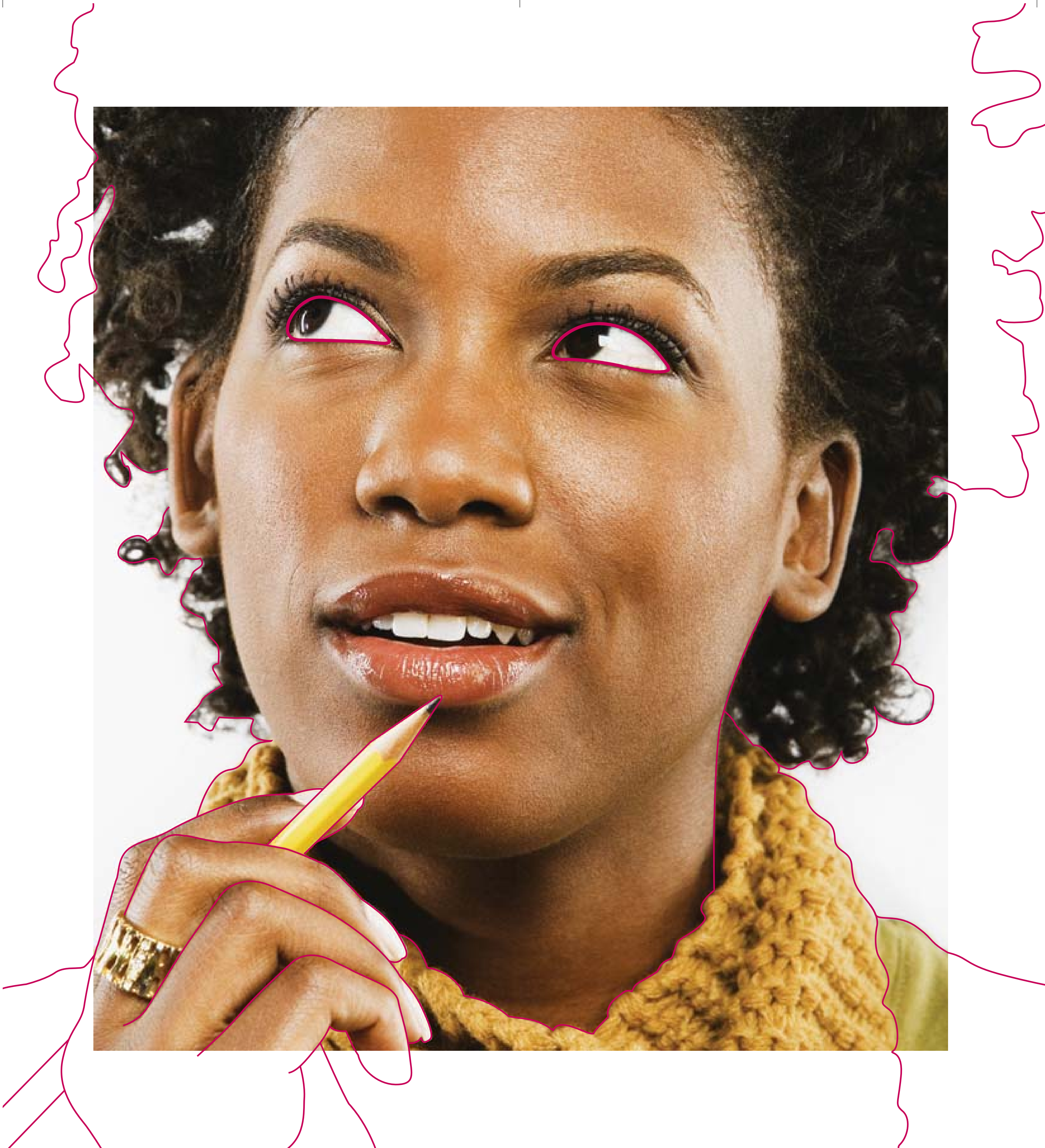


Treasury Bill rates decreased before the end of the first half of the year, remaining stable during the second half, with a 14.75% rate for a 91 days term to maturity, 15.05% for 182 days and 15.11% for 364 days.

Tresury Bills in 2007



Millennium bim Activities



Business Areas

Retail Banking

2007 was marked by the launch of the retail branch network expansion program and strengthening, on a commercial level, of the business model started in 2006.

The decision to proceed with the differentiation process started in the previous year, with a commercial dynamics leveraged by strengthening the retail business segmentation model. This establishes a differentiation between Mass Market Customers, who appreciate a value proposal based on innovation and fast service, and Affluent Customers, who favour personalised services, due to their specific interests and considerable financial assets, contributing to increased commercial action mobilization and effectiveness, reflected in a closer match with Customer expectations and preferences.

Since retail banking constitutes the most relevant business segment for Millennium bim, the opening of new branches assumes increased importance, not only because they represent the visible aspect of Bank growth, but also due to the associated capacity to offer products and services, in a responsive and acessible/convenient manner, making the difference and assuming the commitment of excellent Customer service.

Given that Millennium bim is a universal Bank, aimed at all market segments, attempting to gain a position of excellence and quality, distribution channel availability and accessibility become crucial factors.

Within this perspective of commitment to provide a vast and widespread service, Branch network re-dimensioning is an essential factor to ensure direct contact between the commercial network and the Bank's Customers, which are conveniently located.

Within this scope, consolidation of the Bank's commitment as a socially responsible company also became evident, through investment in a new branch concept, specially designed – and thus unique to the Millennium Group – to reach rural and semi-urban areas, lacking in infrastructures, keeping the promise of including difficult access areas, lacking in bank financial services, in its commercial expansion plan, whenever justified from an economic standpoint, thereby responding to the appeal made by the Government to commercial banks in the sense of promoting bank service availability in rural areas.

Therefore, ten new branches were opened, in the following areas:

- rural: Xinavane, Boane and Namialo;
- semi-urban: Bairro 25 de Junho, Zimpeto, Xiquelene, Matola and Mutauanha;
- urban: cities of Maputo and Nacala.

For the Affluent Individuals and Companies segment, consisting of Customers requiring personalized services, due to their specific needs and large financial assets, the Bank opened five new specialized service areas – three in Maputo, one in Beira and one in Nampula – aiming at increasing offer and service quality, as well as strengthening its position in this important segment.

In large urban areas, a differentiation in branch opening hours was implemented, ensuring wider service availability, from 8:00 to 17:00, and different opening hours in approximately 10% of the Bank's branch network.

Commercial network expansion was associated with a significant investment in Millennium bim's value offer, through the introduction of new products and services, also including a social responsibility element.

With the objective of increasing Bank availability, the Millennium bim SMS mobile banking service was launched, allowing Customers to perform the majority of branch transactions via mobile phone, at lower costs, representing significant savings by the population regarding Bank access and taking into account insufficient coverage of the branch network, bad road conditions and limited transportation, in such a vast country. The considerable "take up" for these services, across Mozambique as well as the increasing number of SMS operations, confirm its positive impact on the lives of our Customers.

In response to our constant concern to meet effectively the specific demands of the various Customer segments, by offering specialised products and services, the "Cartão Mulher", a card aimed at women, was recently launched, inspired by and exclusively focusing on the needs and requirement of women custommers, which offers, for the same annual fee associated to a normal Visa Electron card, a health insurance policy covering childbrith costs, as well as breast and cervical cancer treatment, expenses not normally covered by the national insurance market. This card also offers discounts in dozens of shops in the country.

A subsidised credit line was also made available, aimed at financing the re-launch of Individual Companies and Entrepreneurs whose businesses are located in the areas affected by the "Fávio" cyclone.

Since one of its priorities is to support Mozambique's modernisation and development, the Bank strongly promoted the Taxi Leasing product, having trebled the number of approved operations, which resulted in the renewal of an significant portion of the Maputo taxi fleet. With this scheme, taxi drivers saw a great improvement in their working conditions, being able to provide better quality services and generating increased revenue.

Millennium bim consolidated its position as one of the most active banks within the retail segment, developing a commercial programme offering innovative and targeted services particularly "A Conta Ordenado Mais", which allows salary advances, twenty days before pay day, "A Conta Poupança 2X Mais", which includes a life insurance policy that doubles the amount deposited in the savings account, in case of death of the account holder, and "Conta Crescente", a product with an attractive growth rate and quarterly payment of interest to the current account.

On the other hand, the repayment period for "Crédito Nova Vida", the star consumer credit product for the Mass Market segment, was extended to a maximum of 60 months, allowing Customers to benefit from lower monthly installments. The value of this is confirmed by the fact that this product continues to attract an increasing number of subscribers establishing Millennium bim as a reference bank regarding Consumer Credit.

In the Card business, Millennium bim maintained its leadership, with debit cards attaining a degree of market penetration of almost 80% of the Customer universe. This offer was widened through the introduction of the "Cartão Mulher"; in the credit component, a private Millennium bim card was launched for Home Center shops, one of the main furniture and household appliance chains in the country.

In order to make the salary payment process more efficient, as well as allow payments to be processed on set dates, the Bank launched "Conta Certa", a product that grants access to a credit line for salary payments, with zero spread, thereby allowing payment dates to be complied with, irrespectively of eventual treasury oscillations.

In 2008, Millennium bim will continue following its Customer-oriented approach, from a multi-product and multi-channel perspective, aimed at establishing an offer of exclusive bank services of excellence, enhancing simultaneously the cross-selling.

Corporate Banking and Investment Banking

Regarding its Corporate Banking and Investment Banking business, Millennium bim remains strongly committed to leading several projects with impact on the national economy, with its focus on an improved offer and service quality, meeting the expectations of highly sophisticated Customers.

The year was marked by the launching of innovative products in the national market, of undeniable usefulness and added value, of which Factoring should be highlighted, combined with the introduction of new convenience services and the decision to expand and increase the presence of the Corporate network in the north of the country, following the larger economic development centres, marked the year of 2007, in this important business segment.

Regarding Companies, "Factoring Fácil" and "Factoring Completo" were made available in 2007. These products consist of one-off ("Factoring Fácil") or regular and continued transfer to the Bank ("Factoring Completo") of short-term credit granted by companies to their Customers, for purposes of collection management and fund advances.

In 2007, the Investment Banking segment was involved in the analysis of large dimension investment projects in the various economy sectors, including the agricultural sector, traditionally less favoured by commercial Banking.

An increase in the number of requests for provision of financial services to national companies and corporate groups was observed, as well as in the number of requests for advice in structuring and designing capital market operations. In 2008, this should be reflected in an adequation of the Direction structure, in order to respond to the increasing demand for these services.

Once again, Millennium bim maintained its leadership in Banking Syndicates with impact on the national economy, such as the oil product importing Syndicate. During the year, the Bank's participation in an international syndication operation assumed particular relevance, since this was the first time a Mozambican Bank participates in an international banking syndicate aimed at financing a foreign operation.

Business Support Units

Human Resources

In terms of Employee management, priorities continued to be the development of the necessary organisation abilities to ensure the efficacy of the various areas, decentralised career management, responsibility and continuous training, so Employees may perform their functions more efficiently, achieving ever increasing professional and personal fulfilment.

1,045 Employees participated on either strategic or operational courses focused on transversal and Bank specific matters – organized throughout the year.

In 2007, in addition to integration training, on a simulated branch, at the "IFBM – Instituto de Formação Bancária de Moçambique" (Mozambique Bank Training Institute) and English language training, the following strategic training programmes should be highlighted:

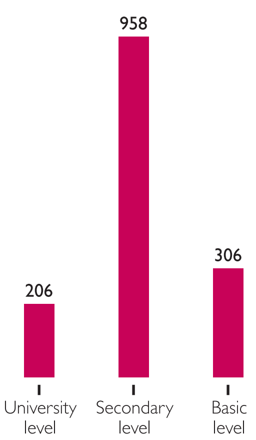
- Integrated Training – Aimed at the retail network, with the goal of encouraging Employee self-training and development of competences, individually and as branch teams, with the objective of continuously improving the services provided to Customers;
- IFRS – International Financial Reporting Standards, supervised by a consultancy company, with the aim of enabling Employees who deal with financial reporting to follow the new Central Bank requirements.

As usual, Millennium bim distinguished Employees who, due to their professional performance and working ability, constitute an example to be followed by all Bank Employees, for the level of excellence achieved, by giving them the opportunity to participate in a training course at Millennium bcp, in Portugal.

The Employee management policy is guided by the principles of responsibility, development of qualifications, strengthening of competences and continuous preparation, so that Employees are able to face the challenges encountered, with quality and efficiency, motivation and commitment, responsibility and personal achievement.

The Employee Satisfaction Management System, a measuring instrument allowing evaluation of satisfaction and motivation levels, was carried out by e-mail for the second consecutive year, having been sent simultaneously to all Employees involved in the universe of Millennium operations.

No. Employees – Academic qualifications



This annual Employee satisfaction survey that evaluates working conditions, job characteristics, hierarchic relationships, people and career management policies and remuneration policies, amongst others, registered increased participation and involvement by Millennium bim, relatively to the previous year.

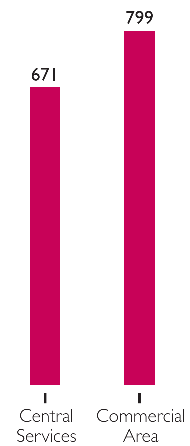
Based on enquiry responses, the Bank's Administration defined priorities in providing continuously improving working conditions and the working environment, so that Millennium bim may always be a reference employer for its Employees.

Aware of the fact that good internal service operation is one of the main factors determining external Customer satisfaction, we will continue to pursue our goal of creating adequate conditions to good Employee performance, by contributing to increased motivation, based on performance evaluation and reward, mobility, career management and social benefits.

At the end of 2007, the number of Bank Employees was 1,470, representing a 3% increase reflecting the branch network growth within the scope of the expansion program in course.

From the universe of Employees 47% are female.

No. Employees – Professional area



Financial Area

Customers' visits continued throughout the year. A considerable growth was registered in operations with Front Office direct access to the Dealing Room, resulting on strong positive impact on exchange rate income.

Regarding the Capital Market, Stock Exchange transactions registered the same behaviour as in the previous year, with a low operation index in the secondary market. Price volatility for "CDM – Cervejas de Moçambique" shares should be highlighted, with a maximum price of MZN 51.50, in September 07, having ended the year at MZN 19.70.

Monetary and Foreign Exchange Market

The Bank's position in the government debt market (TB – Treasury Bills) was stable, supported in a portfolio whose total amount, in December was approximately MZN 6 billion. The TB portfolio continues to constitute the available asset supporting liquidity resources before the Central Bank, as well as allowing secondary market promotion for Customers.

The intervention policy by the Banco de Moçambique in the MCI – Foreign Exchange Interbank Market, with auctions of US Dollars twice a week, as well as one-off interventions of the sale and acquisition of US Dollars from Financial Institutions, continued to be effective, maintaining Metical exchange rates stable, comparing to the ones at the end of 2006.

In 2007, Metical stabilisation against the US Dollar reduced the margins between buying and selling rate, increasing competition between Financial Institutions and spread reductions should be highlighted.

At the end of the year, the stronger Central Bank intervention through the sale of US currency increased the value of Metical. This intervention resulted from a policy aimed at maintaining an effective control in order to contain the inflation rate to a single-digit figure. It considered the appreciation of the Rand against the US Dollar and, also, against the Metical, and the increase in crude oil prices which were threatening the refered inflation target.

Our aggressiveness to take advantage of the business opportunities we meet, associated with the commercial transactions between the Bank, its Customers and Financial Institutions, encourage them to seek availability at Millennium bim to perform more profitable operations with higher return. We will continue our focus on searching for solutions to provide better services to Customers.

Electronic Banking

In 2007, the Bank continued to aim on increasing quality, through the migration of transactions to alternative electronic channels, thus freeing commercial resources, maximizing the potential of installed equipment and improvement of service levels to our Customers.

Regarding cards, Millennium bim showed once again its creative spirit, like in 2006 by implementing the first Co-branded LAM-VISA card in Mozambique. In 2007 the Bank implement two new products: a theme Electron card, exclusively dedicated to women, and a local Credit card, "Private Label", two innovative concepts that undoubtedly represent an important milestone in Card history in Mozambique.

The beginning of clearing operations between VISA network Member Banks in Meticais instead of US Dollars, with the consequent ending of currency conversion fees, brought Customers total transparency regarding interpretation of the amounts transacted in other networks besides their Bank.

The various initiatives developed within the scope of the VISA Fraud Forum, of which Millennium bim is the coordinator, allowed Mozambique to be included in the list of countries with the best anti-fraud practices, with rates below the region's average.

The ATM Channel continued to register considerable demand, which is a motivating factor for seeking more and better solutions. Important qualitative measures were introduced, of which a 25% increase in network up-time and the range of available loading options by branches, significantly increasing ATM autonomy.

We increased the number of ATMs installed, with 50 new units, some of which were installed as replacements in a technological renewal process and in "24-hour areas", which, given the increased availability and fast services, resulted in increased user satisfaction.

Giving continuity to the improvement process, we extended available services in order to inform Customers via SMS that their replacement cards are available at the Branch. In a complementary manner, ATMs inform Customers that their cards wil expire within 15 days, advising them to contact their branch. In order to fight card cloning or unauthorised use, the SMS alert service was created, which informs Customers every time their cards are used beyond certain criteria.

On the Revolving level, we proceeded with important ceiling readjustments, as wel as invitations to pay by installments, adjusted to each Customer financial needs, thereby contributing to an increase in our profitability.

We believe 2007 was a year of consolidation of the Electronic Banking image for Customers, based on its dimension, security, range of functionalities and increased availability.

Operations and Information Systems

On the level of operations and information systems, 2007 was a year during which significant results were achieved regarding the development of new tools and internal procedures, in order to make bank operations as efficient as possible.

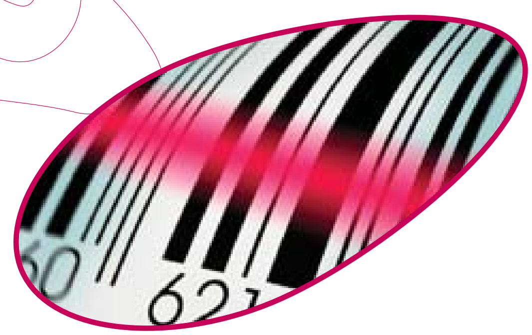
New workflow solutions for fundamental business lines were developed, namely in the credit area (e.g., "Conta Ordenado Mais", "Conta Mola" and "CNV Home Center") and management of guarantees received.

These solutions, based on workflow logic, continue to allow significant growth in the number of operations performed by the Bank, processed in a standard manner and requiring less staff and time and entailing a considerable reduction in operational risks.

New products were also developed allowing the Bank to remain at the forefront with an offer of a range of products and services to the market, examples of which are "Conta Crescente" and "Cartão de Crédito privativo Home Center".

The "Millennium bim SMS" solution was launched in to the market in July 2007, aiming on a wide range of banking transactions available to all our Customers through simple message exchange. This solution's robustness and the opportunity of a new communication channel available to our Customers leading to its frequent use by a large percentage of them, in a very short time period, with the "Millennium bim SMS" service exceeding previous expectations.

At the level of information system security, some very important projects were also concluded, of which a high availability alternative data processing centre, located at a significant distance from the main centre, should be noted. A new level in terms of DRP (Disaster Recovery Process) conditions was reached, with the conclusion of this alternative data processing centre, equipped with all necessary technical conditions to immediately assume Bank operations in case of a main centre failure.



Subsidiary Company

Seguradora Internacional de Moçambique

In 2007, the entry of new businesses influenced positively this associate company, which was reflected in a 20% positive growth in processed revenues, relative to 2006.

The adoption of a new image of the Seguradora and the "Impar" logo in the national market led to remodelling of Impar branches in Quelimane, Nampula and Nacala, and change of installations in Maputo and Beira.

Similar to the previous year, attention continued to be focused on the Colections area; a reduction was achieved in overdue premium amounts, from MZN 75 million, to MZN 55 million between December 2006 and December 2007.

The first quarter of 2007 was marked by the occurrence of the "Fávio" cyclone, which affected the South coast and the centre of Mozambique, and by an explosion in an ammunition store in the outskirts of Maputo. These events entailed direct accident costs of MZN 15 million and net accident costs after re-insurance of MZN 7 million.

As a result of our 'Bancassurance' strategy, developed in collaboration with the Seguradora privileged partner, Millennium bim, two new products were launched via the Banking Channel: a Life product associated with a term account, whereby the account holders capital doubles, in case of death (due to illness or accident), up to a maximum value of MZN 2.6 million and a Health Insurance scheme as part of the Millennium bim Visa Electron Card for Women, covering breast and cervical cancer treatment and childbirth expenses.

In 2007, Seguradora Internacional de Moçambique altered its articles of association and increased its share capital through the incorporation of reserves; share capital increased to MZN 147,500,000.

In terms of market share, the Insurer continues leading the sector, having increased its market share from 33%, in December 2005, to 36%, in December 2006. We expect this leading market position to be even stronger in 2007.

Net Income

Total direct insurance premium turnover reached MZN 645 million, representing a 19.6% growth above to previous year; the Non-Life business contributed with MZN 478 million and the Life business with MZN 167 million.

Direct Insurance Premiums

Millions of MZN

Business	2007	2006	Var. % 07/06
Life	167	140	18.9%
Non-Life	478	399	19.8%
Total	645	539	19.6%

Life Business

The Life business presented a growth rate of 18.9% for direct insurance premiums, resulting from the dynamics imparted by the Bancassurance operation, supported by the Millennium bim network.

Traditional Life Risk products represented 34.9% of the total Life business portfolio, having registered an 18.2% increase compared with 2006. Products associated to "Crédito Nova Vida" contributed to Life business dynamics having registered a 97% increase relative to the previous year.

Non-Life Business

In 2007, the direct insurance premium turnover for the Non-Life business reached MZN 478 million, which represents a growth of 19.8% relatively to 2006.

Good commercial performance was observed for the areas of Transports, Personal Accidents and Illness and Work Accidents, with growth rates of 38.2%, 31.7% and 15.1%, respectively. The negative growth rates observed for the Third Party and Miscellaneous areas resulted from the absence of large dimension works, contrary to the previous financial year 2006 (Limpopo and Zambezi River bridge works).

Direct Insurance Premiums – Non-Life

Millions of MZN

Business Areas	2007	2006	Var. % 07/06
Work Accidents	42	36	15.1%
Personal Accidents and Illness	86	65	31.7%
Fire and Natural Disasters	43	43	1.2%
Motor	247	171	44.1%
Marine	5	5	-1.9%
Air Travel	0	0	-
Transport	14	10	38.2%
General Third Party Responsibility	11	18	-33.9%
Miscellaneous	30	50	-41.2%
Total	478	399	19.8%

The technical margin before administrative costs reached MZN 274 million, which represents a 10% increase relative to 2006. A decisive factor in this growth was the increase in net premiums retained by the company (+27%) exceeded increases in compensation amounts after re-insurance (+12%). In 2007, the Insurer did not benefit from the positive effects of provisions for overdue premiums, since portfolio consolidation was virtually concluded.

The combined effect of this favourable development and a reduction in administrative costs caused income, before taxes, to reach MZN 171 million. Net income after taxes was MZN 164 million, a 6.1% increase over 2006.

Innovation, competitiveness and greater Customer satisfaction will continue to be the main goals therefore, the development of new products is planned, in collaboration with the Millennium bim network.

Social Responsibility

Social and economic changes occurred in the last few years have influenced the attitude of socially responsible companies regarding the evaluation of their value creation paths.

If it is true that the private sector has assumed a relevant role in developing and creating wealth. It is also true it has assumed the huge responsibility of creating profit-generating projects and distributing wealth and well being, in a manner oriented towards a fair and sustainable social progress.

To Millennium bim, sustainability and performance are mutually dependent concepts. Their complementarity leads to balanced and lasting development for the company, and, consequently, the society of which it is an integral part.

The social function is understood by Millennium bim as a fundamental element of its mission, which has been reflected, since the Bank's foundation, in the valuing of its Employees and assuming of social responsibilities towards the host community.

Aware of the fact that its intervention is a determining factor in establishing a deeper social conscience, Millennium bim is also developing an active sponsorship, donations and support policy.

The Bank continue to be committed towards applying the principles of the United Nations Global Compact initiative regarding good conduct rules, towards which we established a commitment a few years ago, attempting the adoption by others.

The Millennium bim considers to have taken an important and decisive step towards achieving a structured character and sustainability, in 2006, when the Bank launched its own social responsibility program, "Mais Moçambique pra Mim" (More Mozambique for Me).

In its first three years, this program will be developed in partnership with the Lurdes Mutola* Foundation, focusing its attention on education and sports projects aimed at children and youngsters.

We are certain this is the ideal partnership, since our objective is to help children and young people embrace training and education values, as well as encourage them to fulfill and exceed their abilities and believe that their future depends largely on their will to trust in themselves and win, irrespectively of their social background.

* Lurdes Mutola, a world-class woman athlete and well know Mozambician personality.

United Nations Global Compact Initiative

Human Rights

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
1) Respect and protect human rights	Millennium bim respects and protects human rights. It treats all its internal and external Customers with respect and consideration, observes the principles defined by the International Labour Organisation, promotes equal opportunities between the gender, and stimulates hiring of women in the banking sector.	Millennium bim's working environment observes international and regional laws and Mozambique's Constitution.	Continue to observe and respect human rights within the company, taking into account the socioeconomic and political environment in which the company operates.
2) Prevent violations of human rights	All Millennium bim Employees are treated with respect, equality and dignity. The Employee remuneration system respects the principles established by the Collective Labour Agreement (ACT), that foresees remuneration on the basis of staff tiers and categories in accordance with each Employee's professional experience and level of training.	Millennium bim aims to implement a remuneration policy based on a series of privileges and social benefits which, together with monthly remuneration, offer an additional incentive to boost motivation and recognition of the Employee's contribution to the company.	These benefits include: annual attribution of a Holiday and Christmas allowance; variable remuneration in function of the Employee's performance and the Bank's results; performance bonuses for Employees who achieve the best performance levels; length of service bonus; access to mortgage credit and personal credit at special low interest rates; medical assistance and medicinal products available for the Employee's family members; contracting of a personal accidents' insurance, payment of a pension top-up to the pension paid by the National Social Security Institute and provision of a Social Centre for Employees where they can take their meals in a friendly environment.
	Millennium bim makes a firm commitment to training its Employees – always attempting to identify leaders and front-line executives amongst its staff.	Through the Career Development and Training Unit (NFDC), Millennium bim periodically organise in-house training sessions for its Employees, together with technical-professional training sessions in Mozambique and abroad.	Internally, the NFDC organises integration training, simulation of cashier service, self training, and English language training, in order to transmit global operating knowledge on all areas of the Bank. In addition to the aforementioned training initiatives, Millennium bim also provides a computing platform – the Intranet — which enables all Employees to achieve online access to a vast range of information concerning the Bank. In compliance with the norms of the Millennium group, there is an evaluation process in three moments in which one is a self evaluation. The process helps identifying the strengths and weaknesses of each

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<table>
<tr><th>Principles of the Global Pact</th><th>Initiatives Implemented</th><th>Impact Attained</th><th>Planned Initiatives</th></tr>
<tr><td rowspan="3">2) Prevent violations of human rights</td><td></td><td></td><td>Employee, guide and set objectives in order to improve each Employee's performance and encourage the provision of individual opinions.</td></tr>
<tr><td>Millennium bim is implementing a programme to prevent and combat AIDS/HIV amongst Employees, aiming to encourage its Employees and managers to adopt preventive attitudes and behaviour in the context of this epidemic problem.</td><td>Employees are increasingly aware of the issues related to AIDS/HIV, as a result of the implementation of an educational and informational programme concerning AIDS/HIV.</td><td>In order to ensure compliance with the defined objectives, a Group of Employees has been selected as peer educators, foreseeing updating of their training, together with a further 63 Employees who will serve as information providers and agents of the programme to prevent and combat AIDS/HIV.</td></tr>
<tr><td></td><td colspan="2">This programme facilitates the creation of a tolerant, non-discriminatory environment at the workplace. Millennium bim considers that it is important to guarantee access to information on sexually-transmitted diseases (STD) and AIDS/HIV. In accordance with the prevailing legislation, the Bank can not require job applicants or Employees to take an HIV test.

Millennium bim recognizes the positive impact of voluntary testing and provision of advice and therefore encourages Employees to periodically take a PSI Test in the mobile GATV or at the GATV hospitals. No Employee is obliged to provide information concerning whether or not he is HIV-positive. The Bank is aware that prevention is the most effective means of combating AIDS/HIV. For this reason it assumes the responsibility to assure preventive supplies on a continuous basis to all Employees, making them available in the medical unit and other easily-accessible locations. In order to combat this pandemic in the Bank effectively, the following initiatives have been defined: creation of an AIDS/HIV Office, whose vocation is to provide training, preventive measures and disclose information on AIDS/HIV; establishment of partnerships with other organisations that deal with infectious diseases, in particular Proj. Avante, EcoSida, CNCS, ACIS, the Apotheka and Nova pharmacies in Nampula, as well as the laboratories Afrolab and Lac; preparation and disclosure of laws, pertinent information and communiqués on AIDS/HIV to Employees; promotion and organisation of debates, seminars and video sessions; training of peer educators; home visits; organisation of advisory and awareness meetings for Employees, overseen by doctors and experts specifically contracted for this purpose; disclosure and promotion of the practice or voluntary HIV tests for Employees (up until October 30 1, 2007, 1428 Employees and their family members were freely tested).

Millennium bim has a medical unit, with two nurses and five doctors, wherein consultations are provided free of charge to Employees and their family members.

Millennium bim co-funds 75% of expenditure on medicinal products and food supplements and 50% on prostheses. The Bank has guaranteed payment of 100% of expenditure related to anti-retroviral drugs, CD4 examinations and Viral load tests for Employees infected with HIV.</td></tr>
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Work

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
3) Promote freedom of association and the right to collective negotiation at work	Millennium bim has subscribed the Collective labour Agreement, negotiated between the SNEB – National Syndicate of Bank Employees and the Mozambican Banks Association.	Dialogue has been expanded between the Bank's Management and workers, thereby making it possible to reach a consensus that satisfies both parties and, as a consequence, improve the working environment. In addition to this improvement, the Collective labour Agreement has made it possible to standardise the Salary Progression Table applying to Employees' careers.	Pursue dialogue with Employees through their legitimate representatives (trade union).
		This agreement makes it possible to regulate the relationship with Employees, prevent/reduce any conflict and obtain a harmonious working environment. Workers rights are defined by means of negotiation, while upholding the labour Law and the Constitution of the Republic.	
4) Abolish forced or compulsive labour	Overtime at Millennium bim is remunerated in accordance with prevailing legislation.	Employees continue to maintain a high level of motivation and dedication, thereby contributing to high levels of productivity for the Bank.	Continue to remunerate overtime in accordance with prevailing regulations.
	All Employees are bound by individual labour contracts, under the terms of the labour Law.	A working environment of mutual trust has been established between Millennium bim's Employees and the employer, which corresponds to compliance with the terms stipulated in the employment contracts	Continue to observe the terms stipulated in the labour Law in Mozambique concerning the hiring process.
5) Eradicate child work	Millennium bim observes the principles defined by the International labour Organisation, that established a minimum age of 18 for recruitment of workers.	Absence of any form of child labour in the company.	Continued to observe international legislation that combats child labour (permanent activity).

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Continuation

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
6) Eliminate discrimination in the workplace	Millennium bim guarantees equal opportunities to all Employees and combats any form of discrimination, whether racial, religious, ethno-linguistic, etc.	An environment of equal opportunities has been created between all the Bank Employees.	Continue to guarantee equal opportunities to all our Employees.
	Recruitment and career progression are achieved in an open, transparent and fair manner. Candidates are selected on the basis of psycho-technical tests and interviews that make it possible to identify the most talented ones. Career progression is determined on the basis of periodic performance appraisals.	Greater transparency in the recruitment process of Employees.	Proceed with transparency, justice and impartiality in the selection and recruitment process of those applying to work at Millennium bim.
	Millennium bim monitors all new Employees, in order to guarantee their correct enrolment in the Bank and guarantees a healthy working environment.	An environment of healthy integration of young professionals has been created, thereby stimulating the generation of new ideas.	Continue to foster a suitable environment for the integration of recently recruited young professionals.

Environment

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
7) Adopt a preventative approach to environmental challenges 8) Encourage the development and dissemination of environmentally friendly technologies.	Through the adoption of internal policy strategies, Millennium bim guarantees compliance with recommendations on environmental safety.	Increased knowledge, management and integration in the fields of occupational safety, health and the environment.	Proceed with initiatives taken in relation to compliance with measures aimed at recycling resources. Invest in projects designed to reduce consumption of resources such as water, electricity, fuel and from a different perspective, filter out projects which are likely to have a negative impact on the environment.
9) Promote social responsibility	Implementation of Millennium bim's social responsibility program – "More Mozambique for Me" in partnership with the Lurdes Mutola Foundation.	Partnerships on projects developed, involving public and private institutions, provision of activities for 700 children during their school holidays, taking part in the Millennium bim mini-basketball tournaments in Maputo and Beira; raise the awareness amongst competent authorities of the need to foster sporting activities for young people; raising awareness of young people for the need to keep cities and their schools clean (1.000 pupils took part in the "A Clean City for Me" project); alert the	• Continue to invest in creating partnerships, captivating all those who identify with the project; • Ensure continuity for projects initiated in 2007, expanding their geographic area and increasing the number of participants; • Ensure continuity for projects supported in the previous year, in order to render them sustainable; • Raise the awareness of the private sector in order to exercise its social responsibilities in a more active manner;

Continues

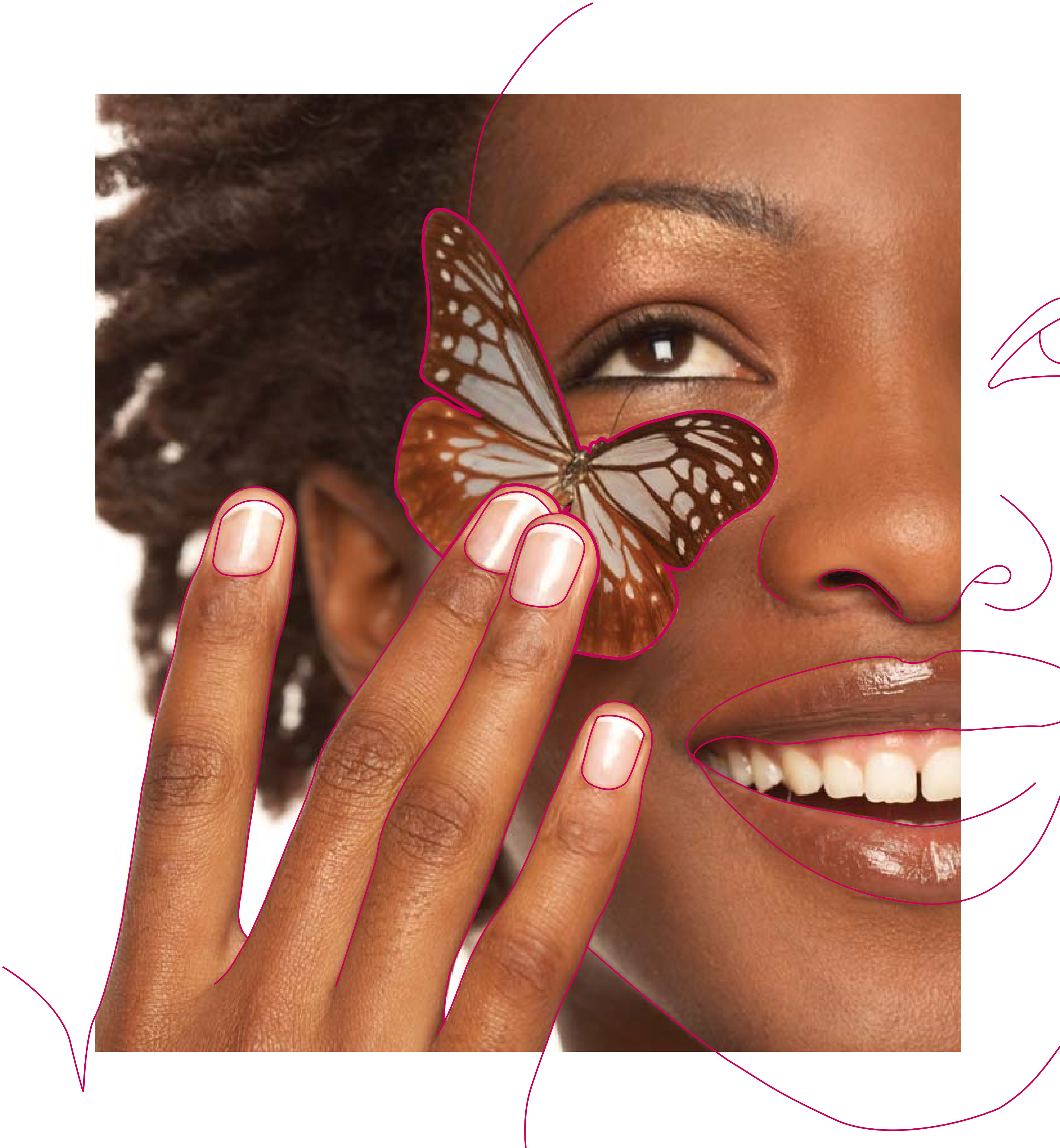
Continuation

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
9) Promote social responsibility		general public and business leaders in particular for the importance of their contribution to implementing social projects, through promotion of the Social Responsibility Programme in the Millennium bim Encounters organised in the provinces of Sofala, Gaza, Manica and Cabo Delgado; improve the living conditions of persons living in institutions, carrying out improvement works and offering necessary goods for the correct functioning of such institutions; recognition of Millennium bim by other institutions as a company that has social concerns.	• Implement a meritworthy project that will serve as an example for Civil Society, such as Millennium bim's Employees' Volunteership Project; • Develop and support sustainable projects.

Combat Corruption

Principles of the Global Pact	Initiatives Implemented	Impact Attained	Planned Initiatives
10) Combat corruption in all its manifestations	The Bank bases its activity on respect, honesty and integrity in its relationship with Employees, Clients, suppliers and other Stakeholders.	Promotion of an environment that will combat corruption, through ensuring compliance with internal norms that aim to regulate the ethics and deontological outlook of the Bank's Employees.	Continue to pursue best efforts in order to eradicate practices of corruption in Millennium bim.
	All financial reports must be audited by international auditing firms.	Fostering greater transparency in the Bank's accounting processes.	Ensure continuity for all initiatives and efforts aimed to guarantee an environment of greater financial transparency in the Bank's accounts.
	Millennium bim has made a firm commitment to continued improvements of the working environment, adopting rigid practices in order to combat corruption, and for this purpose has defined that any Customer or Employee who commits fraud will be handed over the competent authorities and included within a blacklist of undesirable Customers.	Reduction of the number of acts of corruption that cause damage to the Bank involving Employees and Customers.	Continue to inform the authorities of all cases of corruption involving Customers that commit fraud and classify them as Undesirable Customers.

Main Indicators



Summary of Indicators on an individual basis

Thousand of MZN

	2007	2006	Var. % 07/06
Balance sheet			
Total Assets	28,942,152	24,154,970	19.8%
Loans to Customers' (net)	12,503,472	10,520,230	18.9%
Deposits from customers	23,671,563	20,862,660	13.5%
Shareholders' Equity and Subordinated Debt	3,719,062	2,618,379	42.0%
Income Statment			
Net interest income	2,213,331	1,692,211	30.8%
Other net income(1)	1,210,046	1,044,870	15.8%
Operating costs(2)	1,688,352	1,552,872	8.7%
Loan impairment (net of recovery)	240,499	-3,468	n.a.
Other provisions	-33,252	43,263	-176.9%
Income taxes	125,000	35,995	247.3%
Deferred taxes	4,016	83,032	-95.2%
Net income for the year	**1,398,763**	**1,025,387**	**36.4%**
Net operating revenues(3)	3,423,377	2,737,081	25.1%
Cash-Flow	2,098,775	1,453,803	44.4%
Profitability and Efficiency			
Return on average total assets (ROA)	5.3%	4.6%	+0.6 pp
Return on average Shareholders' equity (ROE)	44.1%	50.4%	-6.3 pp
Net operating revenues/Net average assets	12.9%	12.4%	+0.5 pp
Net interest margin (NIM)	10.2%	9.6%	+0.5 pp
Operating costs / Net operating revenues	49.3%	56.7%	-7.4 pp
Credit Risks			
Total loans (gross)	13,151,212	10,988,160	19.7%
Past due loans	168,599	138,922	21.4%
Loans overdue > 90 days/Total loans	1.2%	1.2%	+0.0 pp
Past due loans/Total loans	1.3%	1.3%	+0.0 pp
Loan impairment/Loans overdue > 90 days	456.1%	407.0%	+49.1 pp
Number of Branches	86	76	13.2%
Number of Customers (thousand)	472.8	392.3	20.5%
Number of Employees	1,470	1,386	6.1%
Productivity			
Net income/Employee	951.5	739.8	28.6%
Number of Customers/Employee	321.6	283.1	13.6%

(1) Net commissions, Net financial op. Income and Other net income
(2) Staff costs, Other administrative costs and Depreciation
(3) Net interest income and Other net income

Financial Analysis

BIM – Banco Internacional de Moçambique, S.A, in accordance with the dispositions included in Notice no. 04/GBM/2007 and the complementary dispositions issued by the Banco de Moçambique, presents individual and consolidated accounts relative to the financial years of 2006 and 2007, according to the International Financial Reporting Standards (IFRS).

In order to report information relative to the previous year on a comparable basis, financial statements relative to 2006 were prepared according to the IFRS; for the purpose of this analysis, all necessary adjustments and reclassification for compliance with the aforementioned standards were performed, for the period in question.

Millennium bim's business growth occurred within a globally positive and generally stable macroeconomic environment, with increased profitability levels and national financial system stability due to the economic activity dynamics, besides the investment expansion, relative Metical exchange rate stability and lower interest rates in the market, which lead to an increase in employment and available income levels, for individuals and economic agents.

The new business segmentation model, introduced in the previous year, as well as retail network expansion, imparted a new dynamics to commercial activity throughout 2007, through the development of measures aimed at improving Customer satisfaction and loyalty indicators, oriented towards innovation and continuous improvement of the products and services offered to the Customers.

Total Assets reached MZN 28,942.2 million, which represents a 19.8% growth relatively to the previous year, reflecting an increase in net loans to Customers due to the growth of their deposits and the corresponding constitution of mandatory reserves at the Banco de Moçambique, as well as alternative channelling of available funds, through application in securities and other credit institutions.

The aggregate consisting of Shareholders' Equity and Subordinated Debt reached MZN 3,719.1 million, reflecting Net Income for the financial year, representing MZN 1,398.8 million, which, combined with an increase in risk-adjusted assets, allowed the Bank to reach a Solvency Ratio of 19.4%.

Profitability indicators reflect the good net income performance observed, with return on average Shareholders' equity (ROE) reaching 44.1% and return on average assets (ROA) reaching 5.3%.

Profitability analysis

Net income reached MZN 1,398.8 million, in 2007, relatively to MZN 1,025.4 million in the previous year, representing a growth of 36.4%.

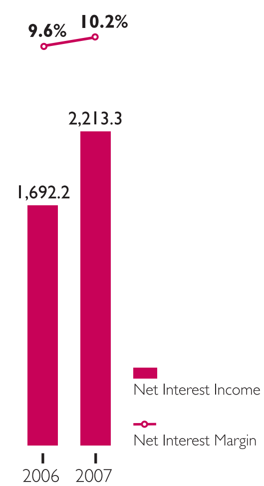
Increases in Net Interest Income and Commissions and the sound performance displayed by Credit Recovery activities and the results of financial operations, as well as a controlled increase in operating costs, contributed to the good performance displayed by Net Income.

Net Interest Income

Net interest Income increased by 30.8%, reaching MZN 2,213.3 million, impelled by a growth in turnover resulting from increased business dynamics, which reduced the impact of lower interest rates and the narrowing of spreads, partly due to strong competition in the various segments, with better risk profiles.

The increase in interest-generating assets, namely increased credit concession, particularly consumer credit, applications in OCI and Securities and adequation of pricing to market conditions contributed to an increase in net interest margin.

Net Interest Income
Millions of MZN



Other Net Income

Other consolidated Net Income includes net commissions, results of financial operations and other net income.

Other Net Income increased from MZN 1,044.9 million, in 2006, to MZN 1,210.0 million, in 2007, representing a 15.8% growth, due to a steep increase in net commissions and other net income, resulting from business expansion and new services.

Millions of MZN

	31 Dec. 2007	31 Dec. 2006	Var. %
Net Commissions	684.9	514.5	33.1%
Net gains arising from credit activity	411.9	430.3	-4.3%
Other net income	113.3	100.1	13.2%
Total	1,210.0	1,044.9	15.8%

Net commissions increased by 33.1%, reaching MZN 684.9 million, regarding which a positive evolution in card commissions and an increase in credit commissions, which benefited from a general increase in credit, by disbursement and by signature. Regarding signature credit, it has guarantees provided and the good performance of commissions relative to deposits (withdrawal, management commissions as well as intervention commissions) should be emphasised, due to increased turnover, reflected in the higher number of operations performed and improved cross-selling indicators.

Maputo • Headoffice Branch


Prestige Card Campaign

SME Campaign

Woman Card Campaign

Nova Vida Campaign

Mortgage Campaign

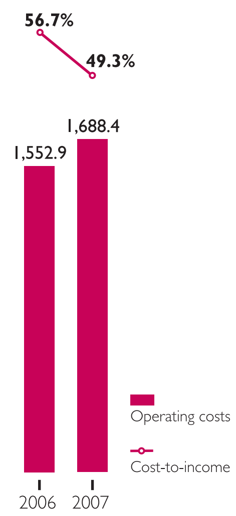
Operating costs

Operating costs (staff costs, other administrative costs and depreciations) reached MZN 1,688.4 million, representing an 8.7% increase relatively to the previous year. It should be emphasised that these figures include costs associated to branch network expansion and reflect the continuous budget monitoring effort aimed at effective cost control.

Millions of MZN

	31 Dec. 2007	31 Dec. 2006	Var. % 07/06
Staff costs	751.7	644.2	16.7%
Other administrative costs	746.3	742.0	0.6%
Depreciation	190.3	166.7	14.2%
Total	1,688.4	1,552.9	8.7%

Operating Costs
Millions of MZN



The 16.7% increase in Staff Costs relatively to the previous year resulted from an increase in the number of Employees, from 1,386 to 1,470, due to the opening of ten new branches in our network expansion plan, as well as salary and career adjustments made in 2007.

Other administrative costs registered a slight increase 0.6% relatively to the previous year, reflecting the initiatives developed in the last few years, to control costs, increasing operational efficiency and commercial efficacy and improving the quality of services provided to Customers.

Depreciation during the financial year increased to MZN 190.3 million, mostly reflecting investments relative to the branch expansion program and TI (Technological Investment), in order to support Bank access channel expansion and continuous innovation of the services provided.

Operating costs analysed include adjustments made in order to implement the IFRS.

The increase in operating efficiency was reflected in the good efficiency ratio, which decreased from 56.7%, in 2006, to 49.3%, at the end of 2007, being the continuous improvement of this indicator one of the Bank's strategic objectives.

Impairment

Credit losses due to impairment (Net of recovery) reached MZN 240.5 million, in comparison with the negative MZN 3.5 million, registered in the previous year. This evolution is partly explained by the considerable amount of recovery and annulment of provisions in 2006.

Overdue credit recovery with impact on the results account reached MZN 173.4 million (MZN 49.3 million in the previous year), showing evidence of recovery efforts.

Asset Structure

Total Assets reached MZN 28,942.2 million in 2007, which represented a 19.8% growth relatively to the previous year, essentially due to an increase in applications in CIs, the net loans to Customers and the Securities portfolio.

Net Assets

Millions of MZN

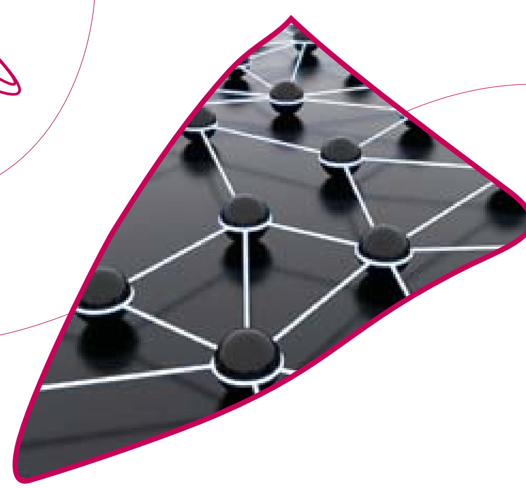
	31 Dec. 2007	31 Dec. 2006	Var. %
Available assets and applications in CIs	8,989.6	7,477.9	20.2%
Loans to Customers (net)	12,503.5	10,520.2	18.9%
Financial assets available for sale	5,865.2	4,584.8	27.9%
Investment, tangible and intangible assets	1,380.5	1,264.0	9.2%
Other	203.5	308.0	-33.9%
Total	28,942.2	24,155.0	19.8%

Loans to Customers reached MZN 12,503.5 million, impelled by an increase in consumer and company credit and a relative improvement in the climate of confidence experienced by businessmen and individual Customers.

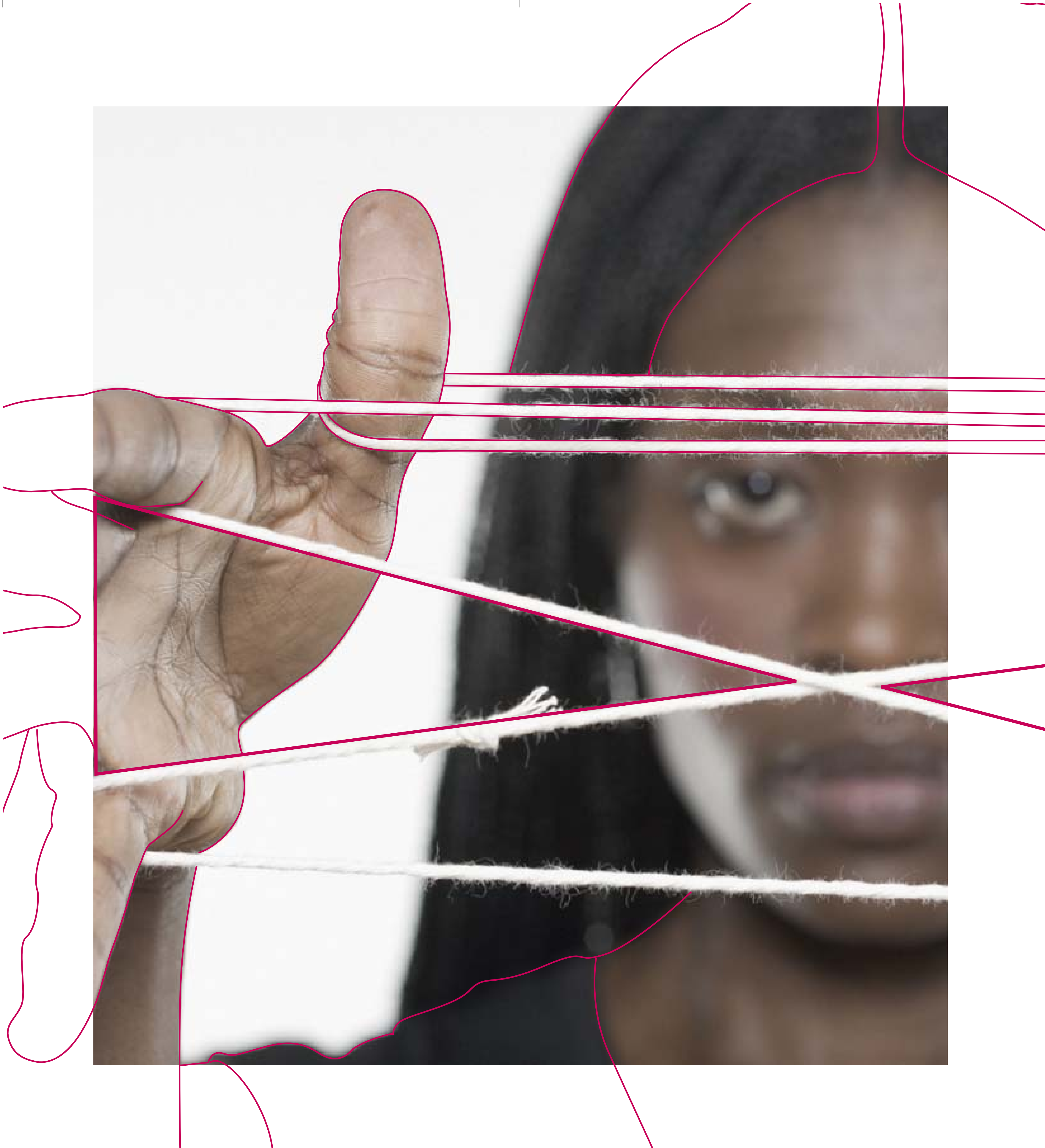
Prudent credit concession policies continued to be followed, materialised in rigorous selection of operations, based on the risks and profitability, and continuous improvement in the risk evaluation and management processes.

The quality of the credit portfolio was reflected in a 1.3% ratio between past due loans and total loans, as well as 456.1% coverage by provisions of loans overdue by over 90 days, due to prudent risk evaluation.

Customer Deposits increased from MZN 20,862.7 million to MZN 23,671.6 million, a 13.5% growth, due to the dynamic performance of the commercial network in attracting funds and selective pricing management, associated to a diversified offer of innovative products and services.



Shareholder Structure and Corporate Boards



R&C Millennium bim ENG:Miolo 08/09/22 12:51 Page 52

Shareholder Structure

Shareholders	No. Shares	% Capital	Subscribed Capital (in Meticals)
BCP – Internacional II, SGPS, Lda.	4,941,393	66.69%	494,139,300
Mozambican State	1,316,122	17.76%	131,612,200
INSS – Instituto Nacional de Segurança Social	366,846	4.95%	36,684,600
EMOSE – Empresa Moçambicana de Seguros, SARL	307,319	4.15%	30,731,900
FDC – Fundação para o Desenvolvimento da Comunidade	80,334	1.08%	8,033,400
Other*	397,986	5.37%	39,798,600
Total	7,410,000	100.00%	741,000,000

*Other 1,336 investors with individual shareholdings below 1%

Corporate Boards

General Shareholders' Meeting

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

Audit Board

Chairman:	António de Almeida
Member:	Subhaschandra Manishanker Bhatt
Member:	Armando Pedro Muiuane Júnior
Deputy Member:	Maria Iolanda Wane

Board of Directors

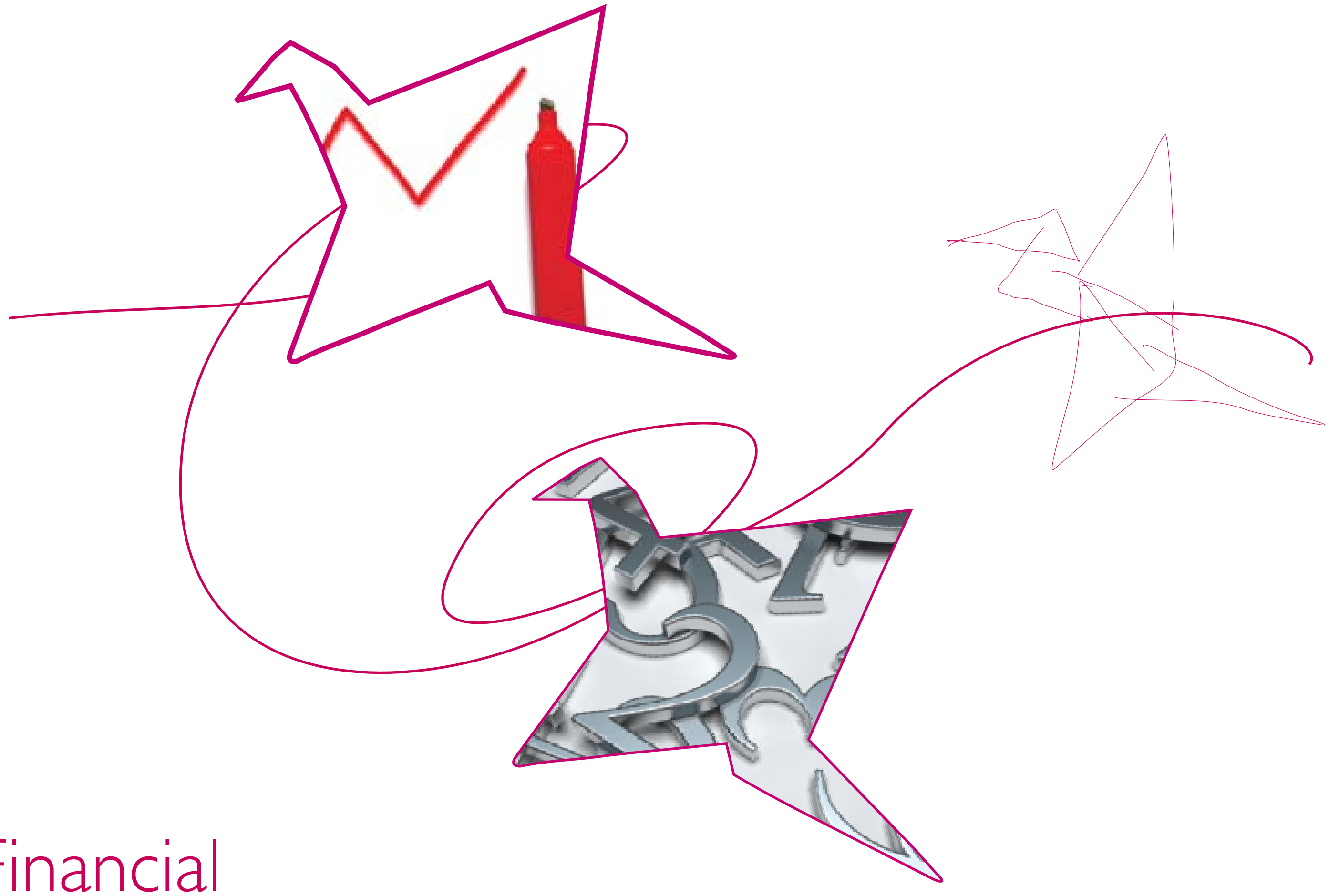
Chairman:	Mário Fernandes da Graça Machungo
Executive Deputy-Chairman (CEO):	João Filipe de Figueiredo Júnior
Non-Executive Deputy-Chairman:	António Manuel P.C. de Castro Henriques
Executive Director (Head of Retail):	António Manuel Duarte Gomes Ferreira
Executive Director (CFO):	Teotónio Jaime dos Anjos Comiche
Executive Director (COO):	Paulo Fernando Cartaxo Tomás
Executive Director:	Oldemiro Júlio Marques Baloi
Non-Executive Director:	Júlio Zamith Carrilho
Non-Executive Director:	Ricardo David
Non-Executive Director:	Rui Manuel Alexandre Lopes
Non-Executive Director:	Salomão Munguambe

Proposal for Profit Application

Proposal for Profit Application

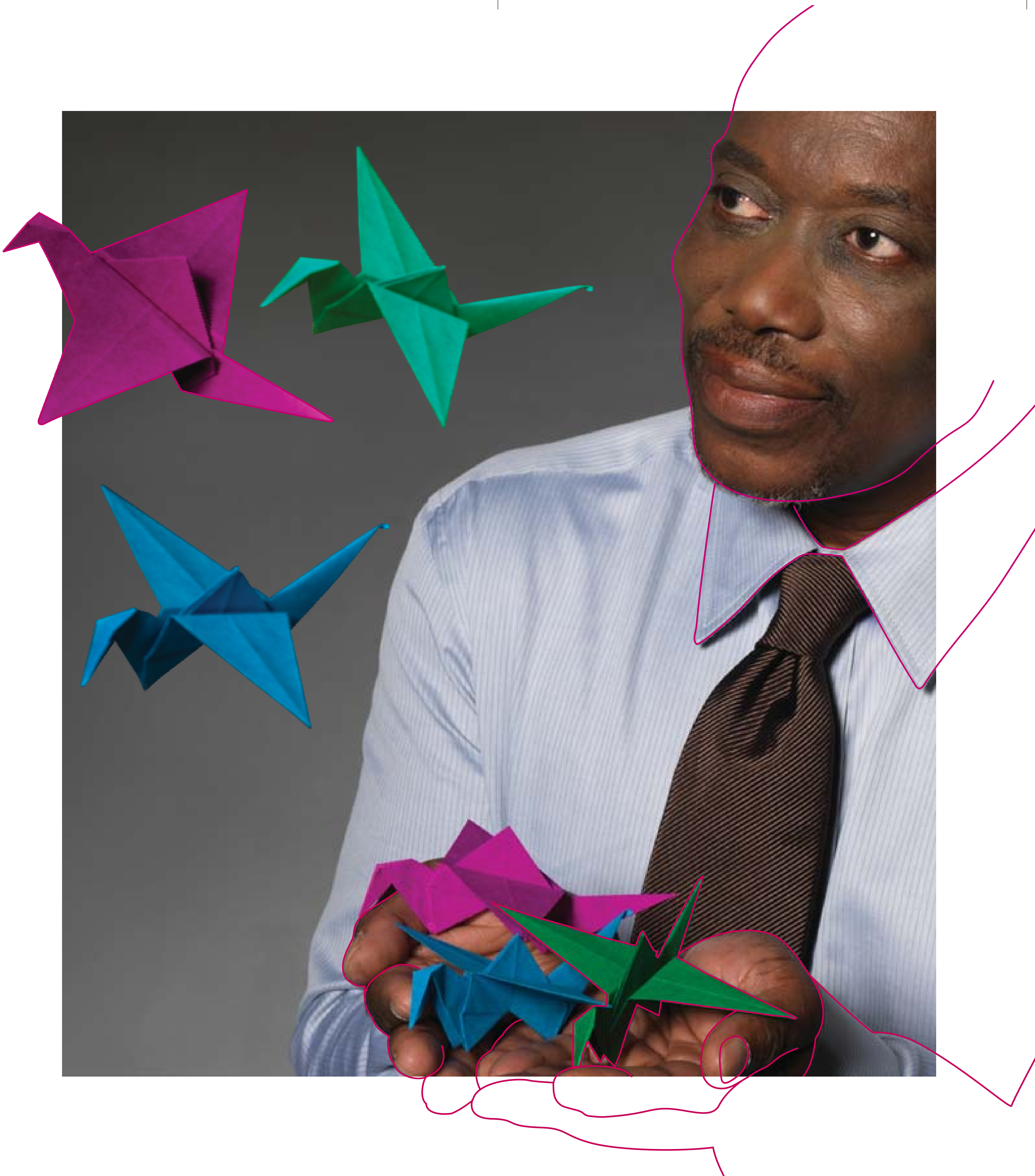
Considering the statutory dispositions and within the terms of applicable Mozambican Legislation, namely Credit Institution Law no. 15/99, regarding constitution of Reserves, it is proposed that calculated net profit, representing **MZN 1,398,761,937.82**, should be applied as follows:

Legal Reserve	15.00%	209,814,291.00	Meticals
Free Reserve	57.50%	804,288,114.82	Meticals
Dividend Stabilisation	2.50%	34,969,048.00	Meticals
Distribution to Shareholders	25.00%	349,690,484.00	Meticals



Financial Statements

Banco Internacional de Moçambique
year ended as at 31st December 2007



Banco Internacional de Moçambique

Consolidated Income Statement

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Interest income	5	117,566	85,487	3,028,021	2,250,651
Interest expense	5	25,370	17,910	653,427	471,533
Net interest income		**92,196**	**67,577**	**2,374,594**	**1,779,118**
Dividends from equity instruments		-	-	-	-
Net fees and comissions income	6	25,621	18,863	659,903	496,610
Net gains arising from trading activity	7	15,393	16,505	396,463	434,549
Other operating income	8	10,070	9,091	259,357	236,585
		51,084	**44,459**	**1,315,723**	**1,167,744**
Total operating income		**143,281**	**112,036**	**3,690,317**	**2,946,862**
Staff costs	9	30,848	26,086	794,513	686,771
Other administrative costs	10	26,402	27,940	680,019	732,838
Depreciation		7,894	6,669	203,317	175,582
Operating costs		**65,144**	**60,695**	**1,677,849**	**1,595,191**
Loans impairment		9,338	(132)	240,499	(3,468)
Other provisions		4,155	4,148	107,005	109,201
Operating profit		**64,644**	**47,325**	**1,664,964**	**1,245,938**
Share of profit of associates under the equity method		-	378	-	9,964
Profit before income tax		**64,644**	**47,703**	**1,664,964**	**1,255,902**
Income tax					
Current	11	5,138	1,348	132,330	35,495
Deferred	11	156	3,188	4,016	83,934
Profit after income tax		**59,350**	**43,167**	**1,528,618**	**1,136,473**
Net income for the year attributable to:					
Shareholders of the Bank		58,726	42,732	1,512,533	1,125,014
Minority interests		624	435	16,085	11,459
Net income for the year		**59,350**	**43,167**	**1,528,618**	**1,136,473**

See accompanying notes to the financial statements.

Banco Internacional de Moçambique

Consolidated Balance Sheet

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Assets					
Cash and deposits at Banco de Moçambique	13	143,848	120,082	3,426,506	3,118,527
Loans and advances on demand to credit institutions	14	9,253	7,515	220,404	195,166
Other loans to credit institutions	15	224,823	160,355	5,355,274	4,164,410
Loans and advances to Customers	16	524,815	405,091	12,503,472	10,520,203
Financial assets held for trading	17	66	60	1,562	1,562
Financial assets available for sale	17	257,525	187,884	6,134,242	4,879,343
Investments in associated companies	18	-	-	-	-
Goodwill and intangible assets	19.1	6,250	6,228	148,867	161,738
Property and equipment	19.2	74,426	63,234	1,772,821	1,642,184
Deferred income tax assets	20	2,268	1,882	54,018	48,876
Other assets	21	8,243	11,482	196,348	298,198
Total assets		**1,251,617**	**963,812**	**29,813,514**	**25,030,207**
Liabilities					
Deposits from other credit institutions	22	42,052	7,725	1,001,681	200,617
Deposits from Customers	23	959,165	782,043	22,847,307	20,309,648
Debt securities issued	24	-	-	-	-
Subordinated debt	25	10,416	10,064	248,110	261,363
Other liabilities	26	24,496	19,032	583,491	494,260
Provisions for liabilities and changes	27	68,076	57,612	1,621,578	1,496,189
Total Liabilities		**1,104,205**	**876,476**	**26,302,167**	**22,762,077**
Equity					
Share Capital	28	31,108	28,533	741,000	741,000
Legal reserve	29	13,681	5,869	325,888	152,414
Other reserves and retained earnings	29	41,587	8,471	876,928	204,735
Net income for the year attributable to Shareholders		58,726	42,732	1,512,533	1,125,014
Total Shareholder equity attributable to the Group		**145,102**	**85,605**	**3,456,349**	**2,223,163**
Minority interests		2,310	1,732	54,998	44,967
Total Equity		**147,412**	**87,336**	**3,511,347**	**2,268,130**
Total Equity and liabilities		**1,251,617**	**963,812**	**29,813,514**	**25,030,207**

See accompanying notes to the financial statements.

Banco Internacional de Moçambique

Consolidated Cash Flows Statement

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Cash flows arising from operating activities					
Interest received		157,238	103,318	3,745,409	2,683,178
Interest and commissions paid		(29,845)	(19,603)	(710,912)	(509,085)
Financial operations		16,644	16,733	396,463	434,549
Receipts from services		12,530	12,791	298,469	332,186
Payments to suppliers and employees		(67,627)	(56,136)	(1,610,878)	(1,457,852)
Loans to Customers		(93,357)	(99,449)	(2,223,769)	(2,582,700)
Other asset accounts		(25,541)	(9,595)	(608,398)	(249,192)
Deposits from Customers		135,097	117,701	3,218,018	3,056,701
Other liability accounts		5,297	49,076	126,185	1,274,493
		110,436	**114,836**	**2,630,587**	**2,982,279**
Cash flows arising from investing activities					
Deposits with Central Bank under monetary regulations		(11,867)	(2,682)	(282,669)	(69,644)
Loans and advances to credit institutions		(102,677)	(47,505)	(2,445,763)	(1,233,709)
Maturity/(acquisition) of securities		(74,020)	(54,277)	(1,763,165)	(1,409,583)
Variations in tangible assets		(4,944)	(36,530)	(117,767)	(948,691)
		(193,508)	**(140,994)**	**(4,609,363)**	**(3,661,627)**
Cash flows arising from financing activities					
Amounts owed to credit institutions		34,327	(204)	817,670	(5,309)
Dividends paid		(12,138)	(6,615)	(289,123)	(171,788)
Shareholders' loans		(575)	(2,241)	(13,707)	(58,186)
Variation in minority interests		421	1,732	10,031	44,967
Movement in reserves		63,909	42,738	1,522,308	1,109,894
		85,944	**35,409**	**2,047,178**	**919,578**
Net changes in cash and equivalents		2,872	9,250	68,402	240,230
Cash and equivalents at the beginning of the year	34	54,040	40,316	1,287,242	1,047,012
Cash and equivalents at the end of the year	34	**56,912**	**49,566**	**1,355,644**	**1,287,242**

See accompanying notes to the financial statements

Banco Internacional de Moçambique

Consolidated Statement of Changes in Equity

for the year ended as at 31st December 2007

	Total equity MZN'000	Share capital MZN'000	Legal reserve MZN'000	Other reserves and retained earnings MZN'000	Minority interests MZN'000
Balance on 31st December 2005	1,148,794	741,000	100,877	306,917	
Transfer to legal reserve			51,537	(51,537)	
Variation of SIM reserves	9,374			9,374	
Other reserves	111,770			111,770	
Net income for year attributable to minority interests	11,459				11,459
Net income for year attributable to Shareholders of the Bank	1,125,014			1,125,014	
Dividend paid in 2006	(171,788)			(171,788)	
Minority interests	33,508				33,508
Balance on 31st December 2006	2,268,130	741,000	152,414	1,329,750	44,967
Transfer to legal reserve			173,474	(173,474)	
Other reserves	9,777			9,777	
Net income for year attributable to minority interests	16,085				16,085
Net income for year attributable to Shareholders of the Bank	1,512,532			1,512,532	
Dividend paid in 2007	(289,123)			(289,123)	
Minority interests	(6,054)				(6,054)
Balance as at 31st December 2007	3,511,347	741,000	325,888	2,389,462	54,998

See accompanying notes to the financial statements.

BIM – Banco Internacional de Moçambique, S.A.

Income Statement

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Interest and similar income	5	116,029	84,457	2,988,420	2,223,516
Interest and similar costs	5	30,094	20,181	775,089	531,305
Net interest income		85,935	64,276	2,213,331	1,692,211
Dividends from equity instruments		1,077		27,740	
Net fees and commissions income	6	26,591	19,542	684,884	514,481
Net gains from financial activities	7	15,992	16,345	411,889	430,326
Other operating income	8	3,321	3,422	85,534	100,063
		46,981	39,309	1,210,047	1,044,869
Total operating income		132,917	103,585	3,423,378	2,737,080
Staff costs	9	29,185	24,470	751,686	644,217
Other administrative costs	10	28,978	28,182	746,349	741,973
Depreciation		7,389	6,331	190,317	166,683
Operating costs		65,552	58,983	1,688,352	1,552,873
Loans impairment		9,338	(132)	240,499	(3,468)
Other provisions		(1,291)	1,643	(33,252)	43,263
Profit before income tax		59,318	43,091	1,527,779	1,144,413
Income tax					
Current	11	4,853	1,367	125,000	35,995
Deferred	11	156	3,154	4,016	83,031
Net income for the year		54,309	38,570	1,398,763	1,025,387
Earnings per share	12	USD 7,33	USD 5,26	MZN 188,77	MZN 138,38

See accompanying notes to the financial statements.

BIM – Banco Internacional de Moçambique, S.A.

Balance Sheet

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Assets					
Cash and deposits at Banco de Moçambique	13	143,848	120,082	3,426,450	3,118,522
Loans and advances to other credit institutions repayable on demand	14	9,253	7,515	220,404	195,166
Ofher loans and advances	15	224,295	160,348	5,342,702	4,164,235
Loans and advances to customers	16	524,915	405,092	12,503,472	10,520,230
Financial assets available for sale	17	246,230	176,544	5,865,189	4,584,842
Investments in associated companies	18	14,952	13,666	356,148	354,913
Goodwill and intangible assets	19,1	779	1,518	18,545	39,424
Property and equipment	19,2	42,225	33,486	1,005,791	869,631
Deferred income tax assets	20	2,268	1,881	54,018	48,839
Other assets	21	6,273	9,980	149,433	259,168
Total assets		**1,215,036**	**930,111**	**28,942,152**	**24,154,970**
Liabilities					
Deposits from other credit institutions	22	42,052	7,725	1,001,681	200,617
Deposits from Customers	23	993,768	803,337	23,671,563	20,862,660
Debt securities issued	24	2,835	2,610	67,535	67,787
Subordinated debt	25	21,403	20,159	509,827	523,534
Other liabilities	26	15,677	11,868	373,424	308,205
Provisions for Liabilities and changes	27	4,571	3,747	108,886	97,322
Total Liabilities		**1,080,307**	**849,446**	**25,732,916**	**22,060,125**
Equity					
Share Capital	28	31,108	28,533	741,000	741,000
Legal reserve	29	13,681	5,869	325,888	152,414
Other reserves and retained earnings	29	35,630	7,315	743,585	176,044
Net income for the year		54,309	38,948	1,398,762	1,025,387
Total Equity		**134,729**	**80,664**	**3,209,236**	**2,094,845**
Total Equity and Liabilities		**1,215,036**	**930,111**	**28,942,152**	**24,154,970**

See accompanying notes to the financial statements.

BIM – Banco Internacional de Moçambique, S.A.

Cash Flows Statement

for the year ended as at 31st December 2007

	Note	2007 USD'000	2006 USD'000	2007 MZN'000	2006 MZN'000
Cash flows from operating activities					
Interest and commissions received		155,695	106,372	3,708,666	2,762,490
Interest and commissions paid		(34,024)	(21,402)	(810,452)	(555,798)
Financial operations		17,292	16,570	411,889	430,326
Receipts from services rendered		5,908	7,870	140,735	204,376
Payments to suppliers and employees		(68,137)	(54,763)	(1,623,035)	(1,422,184)
Loans to Customers		(93,124)	(153,110)	(2,218,215)	(3,976,263)
Other asset accounts		(19,238)	3,197	(458,243)	83,031
Deposits from Customers		148,374	119,343	3,534,276	3,099,342
Other liability accounts		519	4,769	12,361	123,838
		113,265	**28,847**	**2,697,982**	**749,158**
Cash flows arising from investing activities					
Financial holdings		(52)	(13,020)	(1,235)	(338,129)
Deposits with Central Bank under monetary regulations		(11,867)	(3,890)	(282,668)	(101,020)
Loans and advances to credit institutions		(103,225)	(54,466)	(2,458,814)	(1,414,471)
Maturity/(acquisition) of securities		(58,916)	21,825	(1,403,384)	566,806
Variations in tangible assets		(4,840)	(2,073)	(115,281)	(53,825)
		(178,899)	**(51,623)**	**(4,261,382)**	**(1,340,639)**
Cash flows arising from financing activities					
Amounts owed to credit institutions		34,433	(168)	820,192	(4,372)
Dividends paid		(12,138)	(6,615)	(289,123)	(171,788)
Issue of subordinated bonds		-	6,739	-	175,000
Shareholders loans		(575)	1,535	(13,707)	39,861
Movement in reserves		46,784	32,869	1,114,391	853,598
		68,503	**34,359**	**1,631,752**	**892,299**
Net changes in cash and equivalents		2,870	11,583	68,353	300,818
Cash and equivalents at beginning of the year	34	54,040	37,983	1,287,236	986,419
Cash and equivalents at the end of the year	34	**56,910**	**49,566**	**1,355,589**	**1,287,236**

See accompanying notes to the financial statements.

BIM – Banco Internacional de Moçambique, S.A.

Statement of Changes in Equity

for the year ended as at 31st December 2007

	Total Shareholder Equity MZN'000	Share capital MZN'000	Legal reserve MZN'000	Other reserves and retained earnings MZN'000
Balance on 31st December 2005	**1,241,237**	**741,000**	**100,877**	**399,360**
Transfer to legal reserve			51,537	(51,537)
Dividends paid in 2005	(171,788)			(171,788)
Net income for the year	1,025,387			1,025,387
Balance on 31st December 2006	**2,094,836**	**741,000**	**152,414**	**1,201,422**
Transfer to legal reserve			173,474	(173,474)
Other reserves	4,759			4,760
Dividends paid in 2006	(289,123)			(289,123)
Net income for year	1,398,762			1,398,762
Balance on 31st December 2007	**3,209,236**	**741,000**	**325,888**	**2,142,347**

See accompanying notes to the financial statements.

Banco Internacional de Moçambique

Notes to the Financial Statements

for the year ended as at 31st December 2007

Banco Internacional de Moçambique

Notes to the Financial Statements

for the year ended as at 31st December 2007

1. Basis of presentation

BIM – Banco Internacional de Moçambique, S.A. ("the Bank"), previously known as BCM – Banco Comercial de Moçambique, S.A.R.L., is a private Bank with head offices in Maputo, established in 1992. The accounts hereby presented reflect the result of its operations for the year ended as at 31st December 2007, and were prepared in conformity with the historical cost fundamental principle.

The main objective of the Bank is to carry out financial operations and provide all the services that commercial Banks are authorised to, in accordance with the legislation in force, namely the granting of loans in domestic and foreign currency, the concession of letters of credit and bank guarantees, transactions in foreign currency and the receipt of deposits in domestic and foreign currency.

During 2000, and following the merger of Banco Mello with Banco Comercial Português (BCP), which took place in Portugal, BCP acquired the qualifying holding that Banco Mello held in BCM – Banco Comercial de Moçambique, S.A.R.L. and, in partnership with the Mozambican State, assumed control of the Bank.

Within the context of the Group's restructuring in Mozambique, the merger between BCM – Banco Comercial de Moçambique, S.A.R.L. (acquiring company) and BIM – Banco Internacional de Moçambique, S.A.R.L. (acquired company) took place, by public deed on 27th November 2001, with the acquired company ceasing to exist. The merger saw the transfer of the total assets of the acquired company to BCM – Banco Comercial de Moçambique, S.A.R.L.

At that date, the Bank changed its denomination from BCM – Banco Comercial de Moçambique, S.A.R.L. to BIM – Banco Internacional de Moçambique, S.A.R.L.

On 29th December 2005, the merger of BIM Leasing, S.A.R.L, BIM Investimento, S.A.R.L. and Credicar – Aluguer de Longa Duração, S.A.R.L. (acquired companies) into BIM – Banco Internacional de

Moçambique, S.A.R.L. (acquiring company) was carried out by public deed, with the closure of the acquired companies. The merger took effect as of 1st January 2005 with the transfer of the total assets of the acquired companies to the acquiring company.

On 31st December 2007, BIM – Banco Internacional de Moçambique, S.A held shareholding control over Seguradora Internacional de Moçambique, S.A, with a 89.91% stake in its share capital, being the Group accounts (Bank and Insurance Company) presented in a consolidated manner.

2. Preparation basis and compliance statement

In accordance with notice no. 4/GBM/2007 of 2nd May and its complementary dispositions, from 1st January 2007, Banco Internacional de Moçambique began preparing its financial statements in conformity with the International Financial Reporting Standards (IFRS).

Until 31st December 2006, the Bank had prepared its financial statements in conformity with local regulations. The financial statements for the year was concluded and is presented in this report, prepared in conformity with the IFRS for merely comparative purposes.

The accounting policies presented in this note were applied in a consistent manner to all the Group parts, in all the periods presented in the consolidated financial statements, including the IFRS opening balance, regarding 1st January 2006, which was prepared for IFRS transitional purposes.

The balances presented in thousand Meticais in the financial statements for the year ended 31st December 2007, were converted to thousand American Dollars at the revaluated rate of Banco de Moçambique at that date, and are presented merely as reference.

The financial statements are prepared under the historical cost convention, as modified by the application of fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale assets, except those for which a reliable measure of fair value s not available. Recognised assets and liabilities that are hedged under hedge accounting are stated as fair value in respect of the hedged risk. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lowest of carrying amount and fair value deducted from estimated selling costs.

The preparation of the financial statements in conformity with IFRS requires judgements, estimatives and assumptions from the Board of Directors that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other reasonable factors (believed to be reasonable) under the circumstances. They form the basis to make judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgement or complexity, or where assumptions and estimates are considered to be significant are presented in note 4.

a) Transition to IFRS

These are the Banks' first consolidated financial statements prepared according to the IFRS, having complied with IFRS 1 to determine the transition adjustments, regarding 1st January 2006. The reconciliation between Shareholders' equity and net income according to local rules and IFRS, as defined by IFRS 1, are presented in note 39.

In the preparation of the consolidated financial statements on the transition date, it was decided to choose some of the exceptions allowed by IFRS 1, presented as follows:

(i) Business combination

Not to retroactively apply IAS 3 to the Group's business combinations that occurred before 1st January 2006, thus maintaining all the accounting criteria applied before, including the goodwill registration arising from acquisitions in consolidated reserves until 1st January 2006.

(ii) De-recognition of financial assets

According to the IFRS 1 option, the Group decided to apply the derecognition criteria of IFRS 39 only to operations carried out from 1st January 2006. Thus, the previous de-recognized assets, according to the accounting rules applied before, were not presented in the balance sheet.

(iii) Valuation of fixed tangible assets

The Group decided to consider as a cost of fixed tangible assets, regarding 1st January 2006, the amount in the balance sheet determined according to accounting policies previously applied by the Group.

With the exception of these situations, the Group adopted the remaining IFRS retrospectively.

b) Functional currency

The company's functional currency is the Metical (MZN), being the currency in which the Bank operates and maintains its accounting statements.

c) Other currencies used

For the user's convenience, the financial statements are also presented in American Dollars (USD). The income statement and respective notes are converted to American Dollars using the average annual foreign exchange rate and the balance at the official foreign exchange rate ruling at the end of the year. All the foreign exchange rate differences are directly recognised in own funds. The existing Shareholders' equity components as at 31st December 2007 were converted to American Dollars, with the use of the foreign exchange rate ruling at that date.

d) Use of estimates and judgements

The preparation of financial statements requires judgements, estimates and assumptions by the Board of Directors producing effects in the accounting policies, assets, liabilities, income and expenses reported values. The current results may therefore differ from the estimates.

The underlying estimates and assumptions are revised on a continuous basis. The accounting estimate revisions are recognised in the period in which the estimate is subject to revision and in all the future periods that may be affected.

In particular, the information on relevant areas of uncertain estimate and critical judgments regarding the application of accounting policies that have relevant effects in the recognised value of financial statements, are described in note 4 on the use of estimates and judgments.

e) Basis of consolidation

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

(i) Investments in subsidiaries

The consolidated financial statements with reference to 31st December 2007, reflect the assets, liabilities and results of BIM – Banco Internacional de Moçambique, S.A. and its subsidiary company, which in accordance with IFRS's prerogatives have been consolidated through the full method.

(ii) Differences in consolidation and revaluation – goodwill

Goodwill arising from business combinations that occurred prior to 1st January 2006 was charged against reserves.

Business combinations that occurred after 1st January 2006 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined on the acquisition date of the assets given and liabilities incurred or assumed including the costs directly associated with the transaction. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of the investment and the corresponding proportion of the fair value of the net assets acquired.

Since the transition date to IFRS, which was on 1st January 2006, positive goodwill arising from acquisitions is recognised as an asset and carried at cost of acquisition but not amortised. The value of goodwill recorded as an asset is assessed annually, regardless of the existence of indication of any impairment. Impairment losses are recognised in the income statement.

Negative goodwill arising on an acquisition is recognised directly to the income statement in the period when the business combination occurs.

(iii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated when preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity.

3. Accounting policies

The accounting policies established below were applied in a consistent manner to all the periods presented in these financial statements, except where mentioned otherwise.

a) Foreign currency operations

Foreign currency operations are converted at the foreign exchange rate ruling at date of the operation. Monetary assets and liabilities denominated in foreign currencies are converted at the foreign exchange rate ruling at that date. Foreign exchange differences arising on conversion are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are converted to the reporting currency at the foreign exchange rates on the dates that the values were determined.

b) Recognition of income and expense

Interest income and expense regarding assets and liabilities measured at amortised cost are recognised in the income statement, using the effective interest method. The effective interest rate is the rate that discounts exactly the estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, a shorter period), to the net carrying amount of the financial asset or financial liability. The effective interest rate is established at the moment of the initial recognition of the assets and liabilities, and is not subject to a subsequent revision.

The calculation of the effective interest rate includes all fees, transaction costs and all other discounts or premiums that compose the effective interest rate. The transaction costs represent marginal costs directly attributable to the acquisition, issuing or sale of a financial asset or liability.

c) Fee and commission income recognition

Fees and commissions are recognised according to the following criteria:

- Fees and commissions which are earned for services provided and recognised as income over the period in which the service is being provided; and
- Fees and commissions that are earned on services rendered, are recognised as income when the service is completed.

d) Results arising from trading operations

Income and costs of financial operations include profits and losses that result from foreign currency commercial transactions and the conversion to national currency of monetary items in foreign currency. It also registers the gains and losses of financial assets and liabilities classified as on sale, as well as the results arising from operations of the financial asset portfolio available for sale.

e) Financial instruments

Classification

Financial assets held at fair value through profits or losses are those maintained by the company with the specific purpose of short term profit taking and the assets and liabilities that the company has recognized and designated as being of fair value through profits and losses. These include investments and liabilities resulting from the sale of short term financial instruments.

Originated loans and debtors are those created by the Bank when making funds available to an entity, in addition to those created with the purpose of profit taking in the short term. The loans and debtors have fixed or determinable payments and are not quoted in an active market. Originated loans and debtors include loans and advances to other banks and Customers.

Financial assets held until maturity date represent financial assets with fixed or determinable payments and a fixed maturity date, which the Bank holds with the purpose and capacity of maintaining until its maturity. Some debt instruments are included in these assets.

Financial assets available for sale are held indefinitely and may be sold according to the need for liquidity or changes in interest rates, foreign exchange rates or share prices.

Financial assets available for sale are initially recognised at fair value, including all expenses and income associated with the transactions.

Interests are recognised based on the effective interest rate, considering the expected useful life of the asset. In situations where there exists a premium or a discount associated with the asset, the premium or discount is included in the calculation of the effective interest rate.

Other financial liabilities comprise all not classified in the cathegory of negociable financing liabilities. They include, money market transactions, deposits from customers and from other financial institutions, issued debt and other transactions.

Recognition date

The Bank recognises the financial assets held for trading and assets available for sale on the date at which the Bank commits to acquiring the assets. From that date onwards, all the profits and losses arising from alterations to the fair value of these assets are recognised.

Loans held until maturity and originated loans and debtors are recognised on the day the cash is made available to the Customer.

Fair value measuring principles

The fair value of financial instruments is based on its market price on the date of the balance sheet, without any operating costs deduction. In the case of unknown market prices, the fair value of the instruments is estimated by using discounted cash flow techniques.

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

Fair values are not determined in cases where it is impossible to do so, and where the main characteristics of the underlying financial instrument, relevant to its value, are disclosed.

Profits and losses on the subsequent evaluation

Profits and losses arising from an alteration in the fair value of assets available for sale are directly recognised in reserves. When the financial assets are sold, charged or in any other way sold, the accumulated profits or losses recognised in reserves are transferred to the account 'Net gains and losses arising from assets available-for-sale', of the income statement.

Positive goodwill arising from a capital instrument is represented by its fair value. The positive goodwill of debt instruments and loans acquired are revalued to assess its fair value, calculated based on expected future cash flows, discounted at the current market interest rate.

In those cases where a revalued asset for assessment of fair value, directly through reserves, has its recoverable value reduced, and a reduction on the assets value has been, previously, directly recognised in reserves, the reduced value is transferred to the income statement and recognised as part of the liabilities for reduction of recoverable value.

Where an asset evaluated for its fair value, directly through reserves, has its recoverable value reduced, and an increase in the asset's fair value has been, previously, recognised in reserves, the increase in the asset's fair value recognised in reserves is reversed in proportion to the decrease in the asset's recoverable value.

All other liabilities arising from the reduction of recoverable value are recognised in the income statement.

Reversal of a reduction of recoverable value

A loss arising from a reduction in recoverable value of a security held until maturity or debtor is reversed if the subsequent increase in recoverable value is objectively related to an event that occurs after the recognition of loss arising from the reduction of recoverable value.

Regarding other assets, a loss resulting from the reduction of recoverable value is reversed in the case of any alteration in the estimates used to determine recoverable value.

A loss arising from the reduction of recoverable value is only reversed if the book value of the asset does not exceed the book value that would have been determined, net of depreciation or amortisation, if no loss had been recognised arising from a reduction in recoverable value.

Gains and losses resulting from an alteration in the fair value of the trading instruments are registered in the income statement.

No cash flow transfers of financial assets and liabilities registered at fair value through results from and to the portfolio are allowed.

Derecognition

A financial asset is not recognised when the Bank ceases the contract rights comprised in that asset, occurring when the rights are fulfilled, expire or are transferred.

A financial commitment is no longer recognised as such after it has been settled.

Compensation

The financial assets and liabilities are compensated, and the net value reported in the balance sheet, when the company has a legal right to compensate the recognised values, and wants to settle on a net basis, or sell the asset and simultaneously settle the debt.

Impairment of financial assets available for sale

On the date of each balance sheet, an evaluation of the existence of objective evidence of impairment is carried out, namely of any negative impact on the expected future cash flows of a financial asset that may be measured in a reliable manner.

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its costs. To determine if a continuous devaluation is significant or prolonged requires judgement. In this judgement the Group evaluates, among other factors, the normal volatility in the price of the financial assets.

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

Impairment losses on loans and advances to customers

The Bank reviews its loan portfolio to assess impairment losses on a regular basis as referred in note 3 g).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgements. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered.

Alternative methodologies and the use of different assumptions and estimates could result in the recognition of different levels of impairment losses, with a consequent impact on the consolidated and individual income statements.

f) Specific instruments

Cash and deposits at the Banco de Moçambique

The items in cash and cash equivalents comprise the balance of cash reserves and deposits at the Banco de Moçambique.

For the purpose of the cash flow statement, the Bank considers that Loans and advances to credit institutions are equivalent to Cash.

Assets arising out of recovered loans

These assets include buildings arising from the settlement of loan contracts reported under Other Assets and are initially recognised as the lowest among the fair value and the carrying amount of the loan.

Fair value is based on the market value. Its determination is based on the expected selling price estimated through regular valuations performed by the external specialized outsourcers at the Bank's request.

Subsequent measurement is at the lower value among the carrying and fair value without depreciation. Any subsequent write-off of the acquired asset to fair value is recorded as an impairment loss and included in the income statement.

g) Loans and advances to customers

These include loans and advances originated by the Bank, which are not intended to be sold in the short term and are recognised when cash is advanced to Customers.

Loans and advances to Customers are initially recognized at fair value, plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, registered at the balance sheet after deduction of impairment losses.

Impairment

The Bank's policy consists of a regular assessment of the existence of objective evidence of impairment in its loan portfolio. Impairment losses identified are charged against income and subsequently the charge is reserved in case there is a reduction of the estimated impairment loss, in a subsequent period.

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

According to IFRS 39 there are two basic methods of calculating impairment losses:

(i) Individual assessment

The individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Bank assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses, the following factors are considered:

- Bank's aggregate exposure to the Customers and the existence of overdue loans;
- The viability of the customers' business and capability to generate sufficient cash flow to service their debt obligations in the future;
- The existence, nature and estimated value of their collaterals, associated to each credit;
- A significant downgrading in the Customers' rating;
- The Customers' assets available on liquidation or bankruptcy;

- The ranking of creditor privileged;
- The amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value and the amount of any loss is stated in the income statement. The carrying amount of impaired loans is considered in the balance sheet net of impairment. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, applicable in the period in which the impairment was determined.

The present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Individual loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively, deducting the costs of its recovery.

(ii) Collective assessment

Impairment losses are calculated on a collective basis in two different perspectives:

- for homogeneous groups of loans that are considered individually significant (parametric analysis); and
- in respect of losses which have been incurred but not yet identified ("IBNR") on loans subject to individual assessment for impairment

Impairment losses on a collective basis are calculated taking into consideration the following aspects:

- historical loss experience in portfolios of similar risk characteristics;
- knowledge of the economic environment and credit conditions and its impact on the historical losses level;
- the estimated period between a loss occurring and a loss being identified.

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

Loans which have been individually assessed and for which no evidence of impairment has been identified, are grouped based on similar credit risk characteristics to calculate the collective impairment loss. This analysis will allow the Bank to recognize the impairment losses which will be identified individually in the future.

The write-off of loans is performed against the related provision for loan impairment, when these correspond to 100% of the loan amount. Subsequent recoveries of amounts previously written-off are accounted as a decrease of impairment losses in the year they occur.

h) Property and equipment

Own assets

(i) Recognition and measurement

The items of property are registered at acquisition value deducting the accumulated depreciation. The work in progress includes the cost of materials, direct work and an adequate percentage of indirect production costs.

Where property or an equipment item comprises the main components with different "useful life" periods, they are listed as property and equipment items, separately.

The Group performs impairment testing whenever events or circumstances show that the book value exceeds the recoverable amount. The difference between these values is charged to the income statement.

(ii) Subsequent costs

The cost to substitute property or an equipment item is recognised in its book value, if there is any probability of future economic benefits for the company and its costs can be measured with a degree of reasonable reliability. The daily service charge regarding the property and equipment items are recognised in profits and losses as they incur, in accordance with the principle of specialisation of that year.

(iii) Depreciation

Depreciation is recognised in the income statement according to the constant quota criteria, distinguished by the estimated "useful life" period of the property and equipment items. It is defined in accordance with the following chart:

	Number of years
Buildings	50
Machinery and furniture	4 – 15
Motor vehicles	4
Other fixed assets	2 – 10

Depreciation methods, 'useful life' and residual values are re-evaluated at the date of the report.

i) Intangibe assets

The intangible assets acquired by the Bank are registered at their historical cost less accumulated depreciation (see below) and losses by reduction of recoverable value.

Depreciation is imputed to the income statement in accordance with the constant quota criteria during the estimated useful life of the intangible assets. Intangible assets are amortised over a maximum period of 3 years.

j) Other reserves

The fair value reserve of financial assets available for sale was created to record the gains and losses arising from the revaluation to assess.

k) Investments in Associates

The Associates are entities where the Bank holds significant influence, but not the control over the financial and operational policies. The financial statement of the Bank includes the associated total gains and losses recognized on a fair basis, stated equitatively, from the date on which the significant influence begins until the date when it ends. When the portion of losses attributable exceeds the associates' book value, the book value must be reduced to zero and the recognition of future losses discontinued, except the portion in which the Bank has incurred in duties towards the associate.

Transactions eliminated on consolidation

Unrealised profits arising from intra-group transactions are eliminated to the extent of the Bank's participation in that entity. Unrealised profits are eliminated against the investment in the associate. Unrealised losses are eliminated in the same manner as unrealized profits are, but only to the extent of the lack of evidence of a reduction in recoverable value.

l) Income tax

The Bank and its subsidiary with head office in Mozambique are subject to the tax regime laid out by the Income Tax Code, with the profits imputable to each year subject to the Corporate Income Tax (IRPC).

Under custom and tax incentives laid out in the Financial Benefits Code in Mozambique (CBFM), approved by Decree Law no. 12/93, of 21st July, the Bank benefits from a 50% reduction on tax rates over final profits distributable among shareholders, during the investment recovery period. This period may not exceed 10 years from 1st January 2004, according to the Investment Project Authorisation.

The Seguradora Internacional de Moçambique, S.A., benefited from the same tax reduction until 2006, being subject to the IRPC at the normal rate of 32% after that date.

Income tax for the year comprises current and deferred tax. It is noted in the income statement, except for the portion related with the items shown directly in reserves.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

m) Employee benefits

The Group has a specific Employee benefit plan for which it holds insurance managed by its subsidiary Seguradora Internacional de Moçambique, S.A. The Group finances a compensatory retirement pension which is guaranteed to its Employees through a retirement pension supplement which functions autonomously.

The actuarial calculation is based on the method of projected unit credit, based on the actuarial and financial assumptions described in note 36 and in accordance with the parameters required by IAS 19.

Costs arising from early retirement, as well as the corresponding actuarial gains and losses are recognised in the income statement in the year in which the early retirement is approved and announced, according to IAS 37.

Monthly premiums of 5.55% of the individual's salary are contributed by the Bank and recorded under expenses for the year.

Compensatory retirement pension is attributed to active Employees at 60, in the case of men and 55 for women, in case the Employee is already benefiting from the old age pension from the National Social Security Institute (Instituto Nacional de Seguranca Social – INSS) or if the Executive Commission so decides.

n) Provisions

Provisions are recognised when:

(i) the Group has a present, legal or constructive obligation;

(ii)) it is probable that its payment may be required; and

(iii) a reliable estimate of the amount of the obligations can be calculated.

o) Loans that yield interest

Loans that yield interest are initially recognised by their historical cost, minus the attributable transaction costs. After its initial recognition, loans that yield interest are determined by amortised cost, with all the differences between cost and amortisation value to be recognised at the income statement over the period of the loans, based on the effective interest rate.

p) Comparative values

Comparative values are reclassified whenever necessary, in order to comply with the current presentation format.

q) Segmental reporting

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

As presented in note 37, the Bank controls its activity through the following major segments:

- Retail Banking;
- Corporate Banking;
- Insurance.

r) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary Shareholders by the weighted average number of ordinary shares issued during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

s) Insurance contracts

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

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participation in results classified as an investment contract recognized and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participation in results, is classified as an investment contract and accounted as a financial instrument.

Premiums
Gross premiums written are recognized as income in the period to which they respect, in accordance with the accrual accounting principle.

Re-insurance premiums issued are accounted as expenses in the year to which they respect in the same way as gross premiums written.

Provision for Unreceived Premiums from Direct Insurance and Reinsurance Granted
The provision for these written and reinsurance ceded premiums reflects that part of the premiums issued at the end of the year in which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

4. Estimates and judgements

The Audit Commission approves the application of accounting policies and significant estimates developed by the Board of Directors together with the Group. These accounting policies and estimates are disclosed in this financial statements.

The following disclosures are complementary to the comments regarding financial risk management presented in note 38.

Main sources to estimate uncertainty

(i) Losses for reduction of recoverable value of loans

Assets accounted at amortized cost are evaluated regarding the reduction of their recoverable value, as described in note 3 g) of the accounting policies.

The component of specific losses due to the reduction of recoverable value is individually evaluated, based on the best estimate made by the Board of Directors for the present value of expected cash flows. By estimating these cash flows the Board of Directors judges the financial situation of the counterpart and of the net present value associated with any underlying guarantee. Each asset with a reduced recoverable value is evaluated regarding its merit. The recovery strategy and the estimate of those cash flows considered to be recoverable are independent of the credit risk function.

The losses by reduction of recoverable value analysed collectively are determined based on similar economic characteristics, when there is objective evidence that they comprise reductions, but whose items of recoverable value may not be specifically identified. When evaluating the need to account these losses by reduction of the recoverable value of loans, the Board of Directors considers factors such as credit quality, portfolio size, concentration and economic factors.

To estimate the degree value of these losses, assumptions are made in order to define the way they are inherently modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the estimated value of losses depends on the accuracy of future cash flow estimates, regarding losses of a specific counterpart and the model assumptions and parameters used in determining losses based on a collective analysis.

(ii) Determination of fair value

Determining the fair value for assets and financial liabilities for which there is no observable market price, requires the use of evaluation techniques, such as those described in accounting policy 3 e). For the financial instruments whose trading is not frequently performed, having little price transparency, the fair value is less objective and requires variable degrees of judgement, according to liquidity, concentration, uncertainty regarding market factors, price establishing assumptions and other risks affecting specific instruments.

Essential accounting judgements on the application of accounting policies

Thoughtful accounting judgments carried out in the application of accounting policies include:

The companies' accounting policies provide the assets and liabilities to be initially designated as different accounting categories, according to circumstances:

- In classifying the assets and financial liabilities as "for sale", the Bank determined that they would meet the description of assets and liabilities for sale in accounting policy 3 e);
- By designating assets and financial liabilities at fair value through profit or loss, the Bank determines that they meet one of the criteria for this designation, as established in accounting policy 3 e);
- In classifying financial assets as held until maturity, the Bank determined that it has a positive purpose and the capacity to maintain assets until their maturity, as required by accounting policy 3 e);
- In classifying financial assets as available for sale, the Bank determined that they do not comply with other classifications, as mentioned in accounting policy 3 e).

In note 3 e) the details of the classification of assets and financial liabilities by the Bank are provided.

5. Net Interest Income

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Interest income				
Interest on loans and advances	1,839,354	1,380,216	1,839,354	1,388,010
Interest on deposits and other applications	310,662	227,327	310,662	227,327
Interest on available for sale securities	878,005	643,109	838,404	608,179
	3,028,021	2,250,651	2,988,420	2,223,516
Interest expense				
Interest on deposits and other resources	639,480	452,492	709,138	495,092
Interest on securities issued	13,549	18,690	65,552	35,849
Other interest and similar costs	399	350	399	364
	653,427	471,533	775,089	531,305
Net interest income	2,374,594	1,779,118	2,213,331	1,692,211

6. Net Fees and Commissions Income

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Fees and commissions income				
From guarantees	131,813	98,941	131,813	98,941
From banking services	340,261	247,034	357,604	260,983
Other Fees	245,313	188,187	230,829	179,050
	717,388	534,162	720,246	538,974
Fees and comissions expenses				
From guarantees and sureties	2,543	1,851	2,543	1,851
Other Fees	54,942	35,701	32,819	22,642
	57,485	37,552	35,362	24,493
Net fees and commissions income	659,903	496,610	684,884	514,481

7. Net gains arising from trading activities

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Profits from financial operations				
Revaluation of exchange rate position	430,673	457,645	430,673	457,645
Other activity	14,760	12,348	2,416	814
	445,433	469,993	433,089	458,459
Losses from financial operations				
Revaluation of exchange rate position	21,200	28,020	21,200	28,020
Other activity	27,770	7,424	-	113
	48,970	35,444	21,200	28,133
	396,463	434,549	411,889	430,326

8. Other Operating Income

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Operating income				
Real estate gains	16,031	18,026	6,258	2,456
Income for services	17,201	11,810	17,201	9,279
Expenses reimbursement	97,445	90,844	97,445	83,633
Insurance premiums	508,668	309,615	-	-
Other operating income	52,210	70,170	14,896	27,657
	691,555	500,465	135,800	123,025
Operating costs				
Taxes	6,043	769	4,978	2,110
Donations and quotizations	12,706	1,341	12,706	1,341
Insurance claims	328,941	208,124	-	-
Other operating costs	84,508	53,646	32,582	19,511
	432,198	263,880	50,266	22,962
	259,357	236,585	85,534	100,063

9. Staff Costs

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Remunerations	752,110	626,492	693,779	589,496
Retirement and survival pensions	-	-	22,402	20,203
Mandatory social security charges	27,618	23,319	22,407	20,077
Voluntary social security charges	12,156	30,866	12,151	10,651
Other staff costs	2,629	6,095	948	3,790
	794,513	686,771	751,686	644,217

The average number of Employees at the service of the Group and the Bank, distributed by professional categories, was as follows:

	Group		Bank	
	2007	2006	2007	2006
Directors and Managers	116	108	104	96
Specific/Technical	661	630	572	544
Other functions	776	771	752	746
	1,553	1,509	1,428	1,386

The total value of remuneration attributed by the Group and Bank to its Management and Supervisory Boards, in the financial year ended at 31st December 2007, registered in the item Staff costs, was MZN 40,328 thousand and MZN 35,711 thousand, respectively (2006: MZN 32,507 thousand and MZN 29,560 thousand).

10. Other Administrative Costs

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Water, electricity and fuel	42,318	37,361	39,819	35,775
Consumable	43,439	39,398	41,273	38,413
Maintenance and related services	5,723	6,379	5,723	6,379
Publications	766	756	766	756
Hygiene and related materials	1,291	1,112	968	895
Other supplies	11,259	11,022	11,259	11,022
Rents	37,200	52,778	113,142	96,879
Communications and mail	74,186	68,252	67,669	65,040
Travel, hotel and representations costs	32,393	33,336	29,553	30,887
Advertising and edition costs	37,132	38,667	35,630	38,104
Outsourcing services	32,672	36,329	23,291	22,053
Related services	52,748	52,694	48,801	48,572
Insurance	5,000	32,913	30,510	32,375
Legal expenses	2,784	4,152	2,608	4,104
IT – Information Technology services	47,576	48,560	47,576	48,560
Security and surveillance	28,843	28,777	27,308	27,864
Cleaning of premises	19,429	17,768	19,429	17,768
Transportation of values	43,932	38,730	43,932	38,730
Training costs	16,845	14,164	15,475	13,714
Other services	144,480	169,691	141,616	164,083
	680,019	732,838	746,349	741,973

The item Other services includes costs with services rendered by the Group's auditors, as follows:

- Audit services to the accounts of BIM – Banco Internacional de Moçambique, S.A. for the year ended as at 31st December 2007, amounting to USD 139,050;
- Audit services to the accounts of Seguradora Internacional de Moçambique, S.A. for the year ended as at 31st December 2007, amounting to USD 61,800;
- Training services in order to implement IFRS at BIM – Banco Internacional de Moçambique, S.A. and at Seguradora Internacional de Moçambique, S.A. amounting to EUR 22,300;
- Reviewing services regarding the implementation process of IFRS at BIM – Banco Internacional de Moçambique, S.A. amounting to USD 29,100; and
- Reviewing services regarding the implementation process of IFRS at Seguradora Internacional de Moçambique, S.A. amounting to USD 13,775.

11. Income Tax

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Current tax	132,330	35,495	125,000	35,995
Deferred tax	4,016	83,934	4,016	83,031
Total tax cost	**136,346**	**119,429**	**129,016**	**119,026**
Reconciliation of effective tax cost				
Net income before tax	**1,664,964**	**1,255,902**	**1,527,779**	**1,144,413**
Current tax	298,673	201,643	244,444	190,798
Tax adjustments:				
Impact of non deductible expenses	3,136	14,083	2,454	6,107
Impact of non deductible costs	3,292	4,315	2,785	3,289
Cost deferred amortisation	(4,016)	(2,653)	(4,016)	(2,572)
Interest on public debt	(161,200)	(94,851)	(113,112)	(75,598)
Accumulated losses	-	(81,280)	-	(80,459)
Tax benefits	(7,555)	(5,762)	(7,555)	(5,569)
Tax cost	**132,330**	**35,495**	**125,000**	**35,995**

BIM – Banco Internacional de Moçambique, S.A. pays a tax of 16% of IRPC (a reduction on 50% of the normal tax rate) until 2014 according to the Investment Project Authorization.

12. Earning per Share

The Earning per share of MZN 188.77 (2006: MZN 138.88) is based on net income before tax of MZN 1,398,763 thousand (2006: MZN 1,025,387 thousand) and is calculated based on 7,410,000 shares issued (2006: 7,410,000).

13. Cash and Deposits at Banco de Moçambique

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Cash	1,135,241	1,092,075	1,135,185	1,092,070
Banco de Moçambique	2,291,265	2,026,452	2,291,265	2,026,452
	3,426,506	**3,118,527**	**3,426,450**	**3,118,522**

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

The regulation for cash reserves constitution, according to Notice no. 02/GGBM/2007 of the Banco de Moçambique requires the maintenance of a balance of in deposits at the Central Bank, equivalent to 10.15% of average amount of daily deposits and other obligations. In 2006, the regime of cash reserves constitution, according to Notice 02/GBM/2004, required the maintenance of balances in deposit, equivalent to 11.51% of the average amount of deposits and other obligations, to be met at the end of each period of reserves constitution.

14. Loans and Advances to other Credit Institutions repayable on demand

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN 000	2006 MZN'000
Credit institutions in Mozambique	61,904	15,044	61,904	15,044
Credit institutions abroad	158,500	180,122	158,500	180,122
	220,404	**195,166**	**220,404**	**195,166**

The balance of the item Credit institutions in Mozambique, for the Group and for the Bank, included, 31st December 2007, the amount of MZN 55,300 thousand (2006: MZN 15,002 thousand) referring to cheques for collection from other institutions.

15. Other Loans and Advances to Credit Institutions

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Other loans and advances to credit institutions in Mozambique	49,103	23,804	36,533	23,804
Other loans and advances to credit institutions abroad	5,275,309	4,132,435	5,275,309	4,132,435
	5,324,412	4,156,239	5,311,842	4,156,239
Interest receivable from loans and advances to credit institutions	30,862	8,171	30,860	7,996
Overdue loans from credit institutions – more than 90 days	-	1,282	-	1,282
	5,355,274	4,165,692	5,342,702	4,165,517
Impairment for credit risk	-	(1,282)	-	(1,282)
	5,355,274	4,164,410	5,342,702	4,164,235

The analysis of this item including interest and overdue loans, by item to maturity is as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Up to 3 months	5,289,452	4,155,199	5,289,451	4,155,199
From 3 to 6 months	19,715	-	7,146	-
From 6 to 12 months	15,245	1,040	15,245	1,040
	5,324,412	4,156,239	5,311,842	4,156,239

16. Loans and advances to customers

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	**2006 MZN'000**	**2007 MZN'000**	**2006 MZN'000**
Loans and advances with tangible guarantees	2,940,171	2,937,403	2,940,171	2,937,403
Finance leases	2,253,560	1,973,607	2,253,560	1,973,607
Loans and advances with other guarantees	4,773,644	3,810,070	4,773,644	3,810,070
Unsecured loans	2,539,948	1,725,659	2,539,948	1,725,686
Loans and advances to the public sector	183,975	195,282	183,975	195,282
Factoring	99,650	-	99,650	-
	12,790,948	10,642,021	12,790,948	10,642,048
Overdue loans – less than 90 days	11,979	9,339	11,979	9,339
Overdue loans – more than 90 days	156,620	129,583	156,620	129,583
	12,959,547	10,780,943	12,959,547	10,780,970
Interest receivable from loans and advances	191,665	207,190	191,665	207,190
	13,151,212	10,988,133	13,151,212	10,988,160
Impairment for credit risk	(647,740)	(467,930)	(647,740)	(467,930)
	12,503,472	10,520,203	12,503,472	10,520,230

The analysis of this item by term to maturity, excluding interest, is as follows:

	Group		Bank	
	2007 MZN'000	**2006 MZN'000**	**2007 MZN'000**	**2006 MZN'000**
Up to 3 months	4,127,110	3,693,322	4,127,110	3,693,349
From 3 months to 1 year	1,189,504	775,305	1,189,504	775,305
From 1 to 5 years	3,963,524	3,973,546	3,963,524	3,973,546
More than 5 years	3,510,810	2,199,850	3,510,810	2,199,850
Indeterminate	168,599	138,920	168,599	138,920
	12,959,547	10,780,943	12,959,547	10,780,970

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

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Agriculture and forestry	890,531	759,693	890,531	759,693
Commerce and services	3,313,243	3,135,383	3,313,243	3,135,383
Food, beverages and tobacco	706,758	781,500	706,758	781,500
Textiles	5,225	13,391	5,225	13,391
Chemicals	45,378	98,980	45,378	98,980
Machinery and equipment	519,790	360,898	519,790	360,898
Construction	965,405	696,044	965,405	696,044
Transport and communications	1,371,540	1,028,466	1,371,540	1,028,466
Paper, graphic arts and editors	58,226	41,551	58,226	41,551
Electricity, gas and water	251,669	168,578	251,669	168,578
Other activities	4,831,782	3,696,459	4,831,782	3,696,459
	12,959,547	**10,780,943**	**12,959,547**	**10,780,970**
Interest receivable from loans and advances	191,665	207,190	191,665	207,190
Impairment for credit risk	(647,740)	(467,930)	(647,740)	(467,930)
	12,503,472	**10,520,203**	**12,503,472**	**10,520,230**

The movements of impairment for credit risks, for the Group and for the Bank are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	467,930	870,334	467,930	870,334
Impairment for the year	388,687	89,583	388,687	89,583
Write-back for the year	-	(572,910)	-	(572,910)
Other transfers	23,530	129,382	23,530	129,382
Use of provisions	(212,061)	(86,111)	(212,061)	(86,111)
Exchange rate differences	(20,346)	37,652	(20,346)	37,652
Balance as at 31st December	**647,740**	**467,930**	**647,740**	**467,930**

Impairment for credit risk represents the expected loss of the recoverable amount of loans and advances to customers as a result of individual and collective analyses of the Bank Customers portfolio.

Irrecoverable loans are written off directly against the respective impairment, when this impairment corresponds to 100% of the loan in question. Loan recoveries are accounted as income for the year in which they take place.

The table below shows the analysis of the impairment for overdue loans and other credit risk as at 31st December 2007:

	Up to 6 months MZN'000	From 6 months to 1 year MZN'000	More than 1 year MZN'000	Total MZN'000
Secured overdue loans	27,778	20,018	63,445	111,241
Impairment	5,537	10,001	63,417	78,955
Unsecured overdue loans	11,332	19,935	26,091	57,358
Impairment	2,833	9,968	26,091	38,892
Total overdue loans	39,110	39,953	89,536	168,599
Total impairment for overdue loans	8,370	19,969	89,508	117,847
Total impairment for loans and for other credit risk				529,893
Total impairment for credit risks				647,740

The analysis of impairment, by type of credit, for the Group and for the Bank is as follows:

	2007 MZN'000	2006 MZN'000
Asset – backed loans	139,293	215,229
Finance leases	238,528	119,649
Personal guaranted loans	183,158	65,681
Unsecured loans	82,075	67,371
Factoring	4,686	-
	647,740	467,930

The analysis of impairment by sector of activity for the Group and for the Bank is analysed as follows:

	2007 MZN'000	2006 MZN'000
Agriculture and forestry	47,941	33,441
Commerce and services	110,259	96,351
Food, beverages and tobacco	61,351	34,586
Textiles	105	221
Chemicals	682	335
Machinery and equipment	20,775	83,930
Construction	112,314	33,017
Transport and communications	84,468	20,936
Paper, graphic arts and editors	3,593	371
Electricity, gas and water	6,784	1,325
Other activities	199,468	163,417
	647,740	467,930

The analysis of maturity, for the Group and for the Bank by type of credit, as at 31st December 2007, is analysed as follows:

	Up to 3 months MZN'000	From 3 months to 1 year MZN'000	From 1 to 5 years MZN'000	More than 5 years MZN'000	Total MZN'000
Loans and advances with tangible guarantees	759,598	192,132	404,851	1,583,590	2,940,171
Finance leases	11,222	112,595	1,320,136	809,607	2,253,560
Loans and advances with other guarantees	1,373,476	764,671	2,185,314	450,183	4,773,644
Loans and advances without guarantees	1,940,968	56,732	5,415	536,833	2,539,948
Loans and advances to the public sector	5,570	-	47,808	130,597	183,975
Factoring	36,276	63,374	-	-	99,650
	4,127,110	1,189,504	3,963,524	3,510,810	12,790,948
Loans overdue – less than 90 days					11,979
Loans overdue – more than 90 days					156,620
Interest receivable from loans and advances					191,665
Impairment for credit risk					(647,740)
					12,503,472

The analysis of maturity, by type of credit for the Goup and for the Bank, as at 31st December 2006, is analysed as follows:

	Up to 3 months MZN'000	From 3 months to 1 year MZN'000	From 1 to 5 years MZN'000	More than 5 years MZN'000	Total MZN'000
Loans and advances with tangible guarantees	428,450	229,966	1,018,454	1,260,533	2,937,403
Finance leases	-	106,374	1,119,159	748,074	1,973,607
Loans and advances without guarantees	1,597,944	435,161	1,603,628	173,337	3,810,070
Loans and advances without guarantees	1,659,378	3,804	44,571	17,906	1,725,659
Loans and advance to the public sector	7,549	-	187,733	-	195,282
	3,693,321	775,305	3,973,545	2,199,850	10,642,021
Overdue loans – less than 90 days					9,339
Overdue loans – more than 90 days					129,583
Interest receivable from loans and advances					207,190
Impairment for credit risk					(467,930)
					10,520,203

The analysis of loans and advances, by maturity date and sector of activity, for the Group and for the Bank as at 31st December 2007 is analysed as follows:

	Up to 3 months MZN'000	From 3 months to 1 year MZN'000	From 1 to 5 years MZN'000	More than 5 years MZN'000	Total MZN'000
Agriculture and forestry	421,570	62,307	202,198	203,017	889,092
Commerce and services	1,658,836	238,457	628,542	760,244	3,286,079
Food, beverages and tobacco	317,363	151,146	140,279	92,304	701,092
Textiles	5,225	-	-	-	5,225
Chemical	3,069	16,487	25,620	-	45,176
Machinery and equipment	69,924	4,502	144,780	288,576	507,782
Construction	448,397	87,209	334,095	80,615	950,316
Transport and communications	216,105	59,922	855,571	229,447	1,361,045
Paper, graphic arts and editors	6,044	-	50,720	-	56,764
Electricity, gas and water	38,075	7,124	110,153	95,677	251,029
Other activities	942,502	562,350	1,471,566	1,760,930	4,737,348
	4,127,110	1,189,504	3,963,524	3,510,810	12,790,948
Overdue loans – less than 90 days					11,979
Overdue loans – more than 90 days					156,620
Interest receivable from loans and advances					191,665
Impairment for credit risk					(647,740)
					12,503,472

The analysis of loans and advances, by maturity date and sector of activity, for the Group and for the Bank as at 31st December 2006 is analysed as follows:

	Up to 3 months MZN'000	From 3 months to 1 year MZN'000	From 1 to 5 years MZN'000	More than 5 years MZN'000	Total MZN'000
Agriculture and forestry	517,037	15,996	143,787	82,507	759,327
Commerce and services	1,560,267	224,816	621,286	708,260	3,114,629
Food, beverages and tobacco	340,408	25,375	189,863	223,540	779,186
Textiles	250	13,141	-	-	13,391
Chemical	86,838	2,059	10,018	-	98,915
Machinery and equipment	97,958	6,395	79,902	171,222	355,477
Construction	181,941	66,760	401,241	26,517	676,459
Transport and communications	344,551	18,766	631,426	24,254	1,018,997
Paper, graphic arts and editors	3,041	2,641	33,550	-	39,232
Electricity, gas and water	101,519	998	64,276	-	166,793
Other activities	459,538	398,358	1,798,196	963,550	3,619,642
	3,693,348	**775,305**	**3,973,545**	**2,199,850**	**10,642,048**
Overdue loans					
– less than 90 days					9,339
Overdue loans					
– more than 90 days					129,583
Interest receivable					
from loans and advances					207,190
Impairment for credit risk					(467,930)
					10,520,230

Loans and advances by type of customer as at 31st December 2007 and 2006 is analysed as follows:

	2007		2006	
	Individual Customers MZN'000	Companies MZN'000	Individual Customers MZN'000	Companies MZN'000
Mortgage credit	623,842	-	633,007	-
Consumer credit	1,422,352	-	986,031	-
Finance leases	284,906	1,968,654	304,663	1,682,796
Discounts and other securitised loans	49,441	183,743	12,448	148,927
Loans	572,806	4,693,065	508,781	3,528,032
Current account credits	33,596	1,397,598	20,840	1,179,894
Overdrafts	48,951	1,511,994	19,481	1,617,121
	3,035,894	**9,755,054**	**2,485,251**	**8,156,770**

17. Financial Assets held for trading and available for sale

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Bonds and other fixed-income securities:				
Issued by public entities	6,337,443	4,997,449	6,129,865	4,789,771
Issued by other entities	34,664	68,561	-	2,957
	6,372,107	5,066,010	6,129,865	4,792,728
Interest from income receivable	20,913	14,164	11,656	11,947
Interest from deferred income	(260,808)	(203,507)	(276,332)	(219,833)
	6,132,212	4,876,667	5,865,189	4,584,842
Shares and other variable income securities	10,690	4,635	7,098	-
Impairment of shares and other variable income securities	(7,098)	(397)	(7,098)	-
	6,135,804	4,880,905	5,865,189	4,584,842

The analysis of financial assets by nature is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Bonds and other fixed-income securities:				
Issued by public entities				
Available for sale	6,097,548	4,808,106	5,865,189	4,581,885
	6,097,548	4,808,106	5,865,189	4,581,885
Issued by other entities				
Available for sale				
National	10,780	42,461	-	2,957
Abroad	23,884	26,100	-	-
	34,664	68,561	-	2,957
Shares and oher variable income securities:				
Available for sale	9,128	3,073	7,098	-
Held for trading	1,562	1,562	-	-
	10,690	4,635	7,098	-
Impairment of shares and other securities	(7,098)	(397)	(7,098)	-
	6,135,804	4,880,905	5,865,189	4,584,842

Analysis of the financial assets of the Group by maturity date as at 31st December 2007 is as follows:

	From 3 months to 1 year MZN'000	More than 1 year MZN'000	Undetermined MZN'000	Total MZN'000
Bonds and other fixed income securities:				
Issued by public entities				
Available for sale	5,862,927	474,516	-	6,337,443
	5,862,927	**474,516**		**6,337,443**
Issued by other entities				
Available for sale				
National	-	10,780	-	10,780
Abroad	-	23,884	-	23,884
	-	**34,664**	**-**	**34,664**
Shares and other variable income securities:				
Available for sale	-	-	9,128	9,128
Held for trading	-	-	1,562	1,562
	-	**-**	**10,690**	**10,690**
	5,862,927	**509,180**	**10,690**	**6,382,797**
Interest from income receivable				20,913
Interest from deferred income				(260,808)
Impairment of shares				(7,098)
				6,135,804

Analysis of the Group financial assets by maturity date for as at 31st December 2006 is as follows:

	From 3 months to 1 year MZN'000	More than 1 year MZN'000	Undetermined MZN'000	Total MZN'000
Bonds and other fixed income securities:				
Issued by public entities				
Available for sale	4,522,839	474,610	-	4,997,449
	4,522,839	**474,610**	**-**	**4,997,449**
Issued by other entities				
Available for sale				
National	-	42,461	-	42,461
Abroad	-	26,100	-	26,100
	-	**68,561**	**-**	**68,561**
Shares and other variable income securities:				
Available for sale	-	-	3,073	3,073
Held for trading	-	-	1,562	1,562
	-	**-**	**4,635**	**4,635**
	4,522,839	**543,171**	**4,635**	**5,070,645**
Interest from income receivable				14,164
Interest from deferred income				(203,507)
Impairment for securities				(397)
				4,880,905

Analysis of the financial Assets of the Bank by maturity date for as at 31st December 2007 is as follows:

	From 3 months to 1 year MZN'000	More than 1 year MZN'000	Undetermined MZN'000	Total MZN'000
Bonds and other fixed income securities:				
Issued by public entities				
Available for sale	5,862,927	266,938	-	6,129,865
	5,862,927	**266,938**	**-**	**6,129,865**
Shares and other variable income securities:				
Available for sale	-	-	7,098	7,098
	5,862,927	**266,938**	**7,098**	**6,136,963**
Interest from income receivable				11,656
Interest from deferred income				(276,332)
Impairment of securities				(7,098)
				5,865,189

Analysis of the financial assets of the Bank by maturity date as at 31st December 2006 is as follows:

	From 3 months to 1 year MZN'000	More than 1 year MZN'000	Total MZN'000
Bonds and other fixed income securities:			
Issued by public entities			
Available for sale	4,522,839	266,932	4,789,771
	4,522,839	266,932	4,789,771
Issued by other entities			
Available for sale			
National	2,957	-	2,957
	2,957	-	2,957
	4,525,796	266,932	4,792,728
Interest from income receivable			11,947
Interest from deferred income			(219,833)
			4,584,842

Analysis of the financial assets of the Group by sector of activity, as at 31st December 2007:

	Bonds MZN'000	Shares MZN'000	Other financial assets MZN'000	Total MZN'000
Food and beverages	-	2,601	-	2,601
Transport and communication	10,780	570	-	11,350
Services	-	7,519	23,884	31,403
Government and Public securities	474,516	-	5,862,927	6,337,442
	485,296	10,690	5,886,811	6,382,796
Impairment	-	(7,098)	-	(7,098)
	485,296	3,592	5,886,811	6,375,699
Interest from income receivable				20,913
Interest from deferred income				(260,808)
				6,135,804

Analysis of the financial assets of the Group by sector of activity, as at 31st December 2006:

	Bonds	Shares	Other financial assets	Total
	MZN'000	MZN'000	MZN'000	MZN'000
Food and beverages	27,307	3,007	-	27,356
Transport and communication	15,154	570	-	15,724
Services	-	1,058	26,100	30,116
Government and Public securities	474,610	-	4,522,839	4,997,449
	517,071	4,635	4,548,939	5,070,645
Impairment	-	(397)	-	(397)
	516,674	4,635	4,548,939	5,070,248
Interest from income receivable				14,164
Interest from deferred income				(203,507)
				4,880,905

Analysis of the financial assets of the Bank by sector of activity, as at 31st December 2007:

	Bonds	Shares	Other financial assets	Total
	MZN'000	MZN'000	MZN'000	MZN'000
Services	-	7,098	-	7,098
Government and Public securities	266,938	-	5,862,927	6,129,865
	266,938	7,098	5,862,927	6,136,963
Impairment	-	(7,098)	-	(7,098)
	266,938	-	5,862,927	6,129,865
Interest from income receivable				11,656
Interest from deferred income				(276,332)
				5,865,189

Analysis of the financial assets of the Bank by sector of activity, as at 31st December 2006:

	Bonds	Other financial assets	Total
	MZN'000	MZN'000	MZN'000
Food and beverages	2,957	-	2,957
Government and Public securities	266,932	4,522,839	4,789,771
	269,889	4,522,839	4,792,728
Interest from income receivable			11,947
Interest from deferred income			(219,833)
			4,584,842

Impairment of financial assets are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	397	74	-	74
Impairment for the year	7,098	397	7,098	-
Write-back for the year	(397)	(74)	-	(74)
Balance as at 31st December	**7,098**	**397**	**7,098**	**-**

18. Investments in associated companies

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Subsidiary:				
Seguradora Internacional de Moçambique, S.A.	-	-	356,148	354,913
	-	**-**	**356,148**	**354,913**

On the 31st October 2005, a purchase and sale offer was celebrated between the Bim – Banco Internacional de Moçambique and Seguros e Pensões, S.G.P.S., S.A., to sell the stake the latter held in the Seguradora Internacional de Moçambique, S.A.R.L. for MZN 337,227,470 thousand, corresponding to 67.22%. This transaction could only be effective after receiving authorisation from the Banco de Moçambique.

On the 2nd March 2006, this transaction was officially authorised by the Banco de Moçambique, and therefore BIM – Banco Internacional de Moçambique, S.A. increased its stake in the Seguradora Internacional de Moçambique, S.A.R.L. from 22.07% to 89.29%, with its effectiveness starting on 1st May 2006.

In August 2006, the Shareholder SUT – Sociedade Unificada de Tabacos, Lda. sold its stake in the share capital of the Seguradora Internacional de Moçambique, S.A.R.L. to BIM – Banco Internacional de Moçambique, S.A. for MZN 927 thousand corresponding to 0.34%. With this changes, BIM – Banco Internacional de Moçambique, S.A. increased its stake in the Seguradora Internacional de Moçambique, S.A.R.L. from 89.29% to 89.64%.

In 2007 the Bank purchased 4,050 shares of the stake held by AGII Atlântico, S.G.P.S., S.A. in the Seguradora Internacional de Moçambique, S.A., for MZN 1,209 thousand, and therefore the BIM – Banco Internacional de Moçambique, S.A. increased its stake in the Seguradora Internacional de Moçambique, S.A. from 89.64% to 89.91%.

As at 31st December 2007, the holdings of the Bank in subsidiary companies is as follows:

Subsidiary	Head Office	Share Capital	Currency	Economic activity	Bank % Participation	Bank % Direct Participation	Method of consolidation
Seguradora Internacional de Moçambique, S.A.	Maputo	147,500,000	MZN	Insurance	89.91%	89.91%	Full *

* For purposes of reporting to the Banco de Moçambique and in compliance with Notice no. 08/GBM/2007, the Bank consolidates its accounts using the equity method.

19.1 Goodwill and Intangible Assets

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Cost:				
Software	260,070	258,322	260,070	258,322
Work in progress	11,022	1,029	3,013	1,029
Goodwill	122,313	122,313	-	-
	393,405	**381,664**	**263,083**	**259,352**
Accumulated amortization	(244,538)	(219,926)	(244,538)	(219,927)
	148,867	**161,738**	**18,545**	**39,424**

The amortization of intangible assets for the Group and the Bank, as at 31st December 2007, came to MZN 51,986 thousand and MZN 50,465 thousand, respectively.

The recoverable value of registered goodwill, as foreseen in IFRS 36, was annulled on 31st December 2007. As a result, no signs of impairment were identified.

The movements in the item intangible assets, during 2007, for the Group, are analysed as follows:

	Group MZN'000				
	Balance as at 1st Jan.	**Aquisitions/ Charges**	**Disposals**	**Transfers**	**Balance as at 31st Dec.**
Cost:					
Software	258,322	1,748	-	-	260,070
Work in progress	1,029	9,993	-	-	11,022
Goodwill	122,313	-	-	-	122,313
	381,664	**11,741**	**-**	**-**	**393,405**

The movements in the item intangible assets, during 2007, for the Bank, are analysed as follows:

	Bank MZN'000				
	Balance as at 1st Jan.	**Aquisitions/ Charges**	**Disposals**	**Transfers**	**Balance as at 31st Dec.**
Cost:					
Software	258,322	1,748	-	-	260,070
Work in progress	1,029	1,984	-	-	3,013
	259,351	**3,732**	**-**	**-**	**263,083**

19.2 Property and equipment

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Cost:				
Land and buildings	1,016,942	1,026,825	244,522	254,405
Repairs in rented buildings	375,666	306,621	371,129	305,710
Equipment:				
Furniture	119,330	110,756	111,197	104,080
Office equipment	77,913	67,541	73,442	63,236
Computer equipment	582,947	487,451	555,196	460,406
Interior installations	180,033	166,380	179,912	166,259
Motor vehicles	206,107	173,732	185,863	149,707
Security equipment	104,992	90,203	104,992	90,203
Other equipment	31,857	30,757	31,857	30,757
Art assets	4,342	4,256	4,322	4,236
Other tangible assets	11,107	10,151	4,557	4,557
Fixed assets – work in progress	90,481	54,841	90,176	54,839
	2,801,717	**2,529,514**	**1,957,165**	**1,688,395**
Accumulated amortizations	(1,028,896)	(887,330)	(951,374)	(818,764)
	1,772,821	**1,642,184**	**1,005,791**	**869,631**

The amortizations of the year of Property and equipment for the Group and for the Bank, as at 31st December 2007, were MZN 151,330 thousand and MZN 139,852 thousand, respectively.

The movements in the item Property and equipment for the Group, during 2007, are analysed as follows:

	Group MZN'000				
	Balance as at 1st Jan.	**Acquisitions/ Charges**	**Disposals**	**Transfers**	**Balance at as 31st Dec.**
Cost:					
Land and buildings	1,026,825	3,614	-	(13,497)	1,016,942
Repairs in rented buildings	306,621	56,445	(897)	13,497	375,666
Equipment:					
Furniture	110,756	3,176	(371)	5,769	119,330
Office equipment	67,541	10,530	(158)	-	77,913
Computer equipment	487,451	54,824	(932)	41,605	582,947
Interior installations	166,380	6,537	(120)	7,236	180,033
Vehicles	173,732	37,998	(12,073)	6,451	206,107
Security equipment	90,203	14,400	(16)	405	104,992
Other equipment	30,757	1,173	(73)	-	31,857
Art assets	4,256	86	-	-	4,342
Other tangible assets	10,151	956	-	-	11,107
Work in progress	54,841	97,106	-	(61,466)	90,481
	2,529,514	286,844	14,641	-	2,801,717
Accumulated amortizations:					
Land and buildings	64,596	10,885	-	(3,106)	72,375
Repairs in rented buildings	54,935	14,259	(338)	3,106	71,961
Equipment	759,938	126,827	(11,221)	-	875,545
Other tangible assets	7,861	1,154	-	-	9,015
	887,330	153,125	(11,559)	-	1,028,896

The movements in the item Property and equipment for the Bank, during 2007, are analysed as follows:

	Bank MZN'000				
	Balance at as 1st Jan.	**Acquisitions/ Charges**	**Disposals**	**Transfers**	**Balance at as 31st Dec.**
Cost:					
Land and buildings	254,405	3,614	-	(13,497)	244,522
Repairs in rented buildings	305,710	51,922	-	13,497	371,129
Equipment:					
Furniture	104,080	1,623	(275)	5,769	111,197
Office equipment	63,236	10,364	(158)	-	73,442
Computer equipment	460,406	54,117	(932)	41,605	555,196
Interior installations	166,259	6,537	(120)	7,236	179,912
Vehicles	149,707	36,901	(7,195)	6,451	185,863
Security equipment	90,203	14,400	(16)	405	104,992
Other equipment	30,757	1,173	(73)	-	31,857
Art assets	4,236	86	-	-	4,322
Other tangible assets	4,557	-	-	-	4,557
Work in progress	54,839	96,803	-	(61,466)	90,176
	1,688,395	**277,540**	**(8,769)**	**-**	**1,957,165**
Accumulated amortizations:					
Land and buildings	46,452	6,340	-	(3,106)	49,686
Repairs in rented buildings	53,732	13,629	-	3,106	70,467
Equipment	715,453	119,496	(6,964)	-	827,985
Other tangible assets	3,127	110	-	-	3,237
	818,764	**139,575**	**(6,964)**	**-**	**951,374**

20. Deferred Tax Assets

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Tax on temporary differences	54,018	48,876	54,018	48,839
	54,018	**48,876**	**54,018**	**48,839**

Deferred tax assets are recognised as tax credits only to the extent that realisation of the future tributable benefit is reasonably expected. The uncertainty of the recoverability of the tax credit is taken into account in establishing the deferred tax assets.

The deferred tax assets recognised in the balance sheet as at 31st December 2007, result from temporary differences arising from different accounting principles identified in the recognition of intangible assets.

The movements in the item Deferred tax assets, is as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	48,875	132,809	48,839	131,870
Impairment for the year	9,195		9,195	
Write-back for the year	(4,052)	(83,933)	(4,016)	(83,031)
Balance as at 31st December	**54,018**	**48,876**	**54, 018**	**48,839**

The balance of the deferred tax assets at the start of the period includes the amount corresponding to the adjustment to the transition resulting from the adoption of IFRS, with a balancing entry to retained earnings and reserves.

21. Other Assets

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Debtors	19,578	90,529	17,573	90,992
Investments arising from recovered loans	153,414	182,662	147,244	182,662
Interest and other income receivable	7,049	29,210	8,732	30,170
Prepayments and deferred costs	6,271	8,825	4,436	6,727
Other	144,623	214,466	99,866	176,111
	330,935	**525,692**	**277,851**	**486,662**
Impairment of other assets	(134,587)	(227,494)	(128,418)	(227,494)
	196,348	**298,198**	**149,433**	**259,168**

The Impairment of other assets includes, as at 31st December 2007, for the Group and for the Bank, MZN 119,819 thousand (2006: MZN 180,561 thousand) relative to the impairment for Credit Recovery Application.

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

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	227,494	155,994	227,494	155,994
Impairment for the year	357	28,056	357	28,056
Write-back for the year	(90,756)	(4,750)	(90,756)	(4,750)
Transfers	1,838	46,314	(4,332)	46,314
Exchange rate differences	(4,346)	1,880	(4,346)	1,880
Balance as at 31st December	**134,587**	**227,494**	**128,418**	**227,494**

22. Deposits from other Credit Institutions

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Deposits from credit institutions repayable on demand	404,748	39,975	404,748	39,975
Time deposits from credit institutions	596,933	160,642	596,933	160,642
	1,001,681	200,617	1,001,681	200,617
Deposits from credit institutions				
(with agreed maturity date)				
Credit institutions in Mozambique	520,496	65,488	520,496	65,488
Credit institutions abroad	75,887	94,558	75,887	94,558
	596,383	160,046	596,383	160,046
Interest payable	550	596	550	596
	596,933	160,642	596,933	160,642

The item Deposits from other credit institutions in Mozambique corresponds, for the Group and for the Bank, to Interbank Money Market operations.

The analysis of this item by term to maturity date is as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Up to 3 months	540,887	94,558	540,887	94,558
More than 5 years	55,496	65,488	55,496	65,488
	596,383	160,046	596,383	160,046
Interest payable	550	596	550	596
	596,933	160,642	596,933	160,642

23. Deposits from Customers

The analysis of this item by maturity date is as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Up to 3 months	4,584,603	3,846,498	4,584,603	4,219,202
3 to 6 months	2,297,547	1,649,724	3,080,962	1,649,724
6 months to 1 year	1,490,218	1,107,640	1,490,218	1,107,640
1 to 5 years	137,198	12,504	137,198	12,504
More than 5 years	1,987	613	1,987	613
	8,511,553	**6,616,979**	**9,294,968**	**6,989,683**
Interest payable	41,612	23,750	41,754	23,750
Deposits repayable on demand	14,294,142	13,668,919	14,334,841	13,849,227
	22,847,307	**20,309,648**	**23,671,563**	**20,862,660**

The Customers term deposits with agreed maturity date are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
In domestic currency	5,359,091	2,345,666	5,536,535	2,405,897
In foreign currency	3,152,462	4,271,313	3,758,433	4,583,786
	8,511,553	**6,616,979**	**9,294,968**	**6,989,683**

24. Debt securities issued

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Debenture loans:				
2003 – 2013 BIM Bonds	-	-	65,000	65,000

Issue description	Date of issue	Date of Redemption	Interest rate %	Unit nominal value MZN
Obligations BIM 2003 – 2013	02/09/2003	22/09/2013	(a)	100

(a) Rate corresponding to the weighted average rate by maturity and amounts, of the last six issues of Treasury Bills (BT), with maturity dates of or above 28 days, calculated on the second business day before the beginning of each interest period, rounded up to the nearest 1/16th of a percentage point.

The analysis of this item by term to maturity is as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Debenture loans:				
More than 5 years	-	-	65,000	65,000
Payable interest	-	-	2,535	2,787
	-	-	67,535	67,787

25. Subordinated debt

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Shareholder supplementary entries:				
BCP Internacional II, S.G.P.S., Lda.	147,212	160,499	147,212	160,499
Mozambican State	100,000	100,000	100,000	100,000
	247,212	260,499	247,212	260,499
Payable interest	898	864	898	864
	248,110	261,363	248,110	261,363
Subordinated supplementary entries:				
2003 – 2013 BIM Bonds	-	-	85,000	85,000
2006 – 2016 BIM Bonds	-	-	175,000	175,000
	-	-	260,000	260,000
Payable interest	-	-	1,717	2,171
	-	-	261,717	262,171
	248,110	261,363	509,827	523,534

Shareholder supplementary entries can be analysed as follows:

Shareholder	Inception date	Interest rate	Amount	Currency
BCP Internacional II, S.G.P.S., Lda.	20/06/2001	1.980%	6,180,176	USD
Estado de Moçambique	20/06/2001	4.975%*	100,000.000	MZN

* Rate corresponding to 50% of the Official Discount Rate of the Banco de Moçambique.

The subordinated supplementary entries issued presents the following characteristics:

Issue description	Date of issue	Date of Redemption	Interest rate %	Unit 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 by maturity and amounts, of the latest six issues of Treasury Bills (BT), with maturing either on or after 28 days, calculated on the second business day before the beginning of each interest period plus 0.5% and rounded up to the nearest 1/16th percentage point.

26. Other Liabilities

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Suppliers	47,535	93,273	2,721	50,037
Various creditors	15,230	16,985	15,230	16,985
VAT to be settled	11,065	774	6,157	774
Retained taxes	29,331	18,469	24,565	12,964
Social Security contributions	2,706	3,817	1,748	2,433
Accrued expenses	64,288	95,589	111,403	86,591
Holiday pay and subsidies	168,491	130,472	157,900	119,636
Deferred income	43,128	18,661	53,659	18,661
Other liabilities	201,719	116,220	41	124
	583,491	494,260	373,424	308,205

The item Other liabilities includes, for the Group, as at 31st December 2007, MZN 142,611 thousand (2006: MZN 116,093 thousand) related to claims payable by the Seguradora Internacional de Moçambique, S.A.

27. Provisions for liabilities and charges

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Provision for bank guarantees	66,550	59,472	66,550	59,472
Provision for general bank risks	9,330	16,861	8,389	15,389
Provision for other risks and charges	33,947	22,461	33,947	22,461
Insurance technical reserves	1,511,751	1,397,395	-	-
	1,621,578	1,496,189	108,886	97,322

The movements in the Provision for bank guarantees are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	59,472	42,457	59,472	42,457
Impairment for the year	25,245	30,327	25,245	30,327
Write-back for the year	-	-	-	-
Transfers	(16,530)	(8,502)	(16,530)	(8,502)
Exchange rate differences	(1,637)	(4,810)	(1,637)	(4,810)
Balance as at 31st December	66,550	59,472	66,550	59,472

The movements in the Provision for general bank risks are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	16,861	15,389	15,389	15,389
Impairment for the year	-	1,472	-	-
Transfers	(7,000)	-	(7,000)	-
Exchange rate differences	(531)	-	-	-
Balance as at 31st December	9,330	16,861	8,389	15,389

The Provision for general bank risks is used to cover potential contingencies resulting from judicial cases underway.

The movements of Other provisions are analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Balance as at 1st January	22,460	92,476	22,460	92,476
Impairment for the year	21,593	21,698	21,593	21,698
Write-back for the year	(11,383)	(1,479)	(11,383)	(1,479)
Transfers	35,612	(59,974)	35,612	(59,974)
Exchange rate differences	(2,328)	(12,800)	(2,328)	(12,800)
Use of provisions	(32,007)	(17,460)	(32,007)	(17,460)
Balance as at 31st December	33,947	22,461	33.947	22,461

The movements in insurance technical Provisions are analysed as follows:

	Group	
	2007 MZN'000	2006 MZN'000
Balance as at 1st January	1,397,395	1,260,852
Impairment for the year	140,598	155,008
Write-back for the year	(26,242)	(18,465)
Balance as at 31st December	1,511,751	1,397,395

28. Share Capital

The Bank's share capital, of MZN 741,000 thousand, represented by 7,410,000 shares of a nominal value of MZN 100 each, is fully subscribed and paid up.

In May 2002, the Bank increased its share capital in the amount of MZN 241,000 thousand through the issue of 2,410,000 new shares at a nominal value of MZN 100 each. The share capital increase was fully subscribed and paid up.

During 2007, there was an expansion of Bank's Shareholder structure through two sale processes of shares by the Bank to the Bank's Management, Technical Staff and the Group Workers (GTT), resulting in an increase in the number of the Bank's Shareholders to 1,341 (five institutional shareholders and 1,336 Management, Technical Staff and Workers Shareholders).

The Shareholder structure as at 31st December 2007 is as follows:

	No. of shares	Percentage participation in share capital
BCP Internacional II, S.G.P.S., Lda.	4,941,393	66.69%
Mozambican State	1,316,122	17.76%
Instituto Nacional da Segurança Social	366,846	4.95%
EMOSE – Empresa Moçambicana de Seguros	307,319	4.15%
FDC – Fundação para Desenvolvimento da Comunidade	80,334	1.08%
Management, Technical Staff and Group Workers (GTT)	397,986	5.37%
	7,410,000	100.00%

29. Reserves and Retained Earnings

This item is analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Legal reserve	325,888	152,414	325,888	152,414
Interest-free loan	19,202	19,202	19,202	19,202
Other reserves and retained earnings	857,726	185,533	724,383	156,842
Net income for the year	1,512,533	1,125,014	1,398,762	1,025,387
	2,715,349	1,482,163	2,468,236	1,353,845

The item Interest-free loan corresponds to the value of the transaction of the ex-BPA Branch in Mozambique, in the amount of USD 6.2 million, which was retained for the effects of future share capital increases to be carried out by the Banco Comercial Português, S.A.

Under the terms of Mozambican Legislation in force, Law no. 15/99 – Credit Institutions, the Bank must reinforce the legal reserve by at least 15% of annual net income, on an annual basis, until this is equal to share capital. This reserve cannot be distributed under normal conditions. As a result of the net income for 2007, the Bank must appropriate the minimum value of MZN 209,814 thousand to the legal reserve in 2008.

30. Dividends

In accordance with the decision of the Ordinary General Meeting held on 2nd March 2007, the Board of Directors decided to distribute 25% of the Net income for the year as dividends, following the transfer of MZN 289,123 thousand to the Legal Reserve.

31. Off-balance Sheet Items

The Off-balance sheet items can be analysed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Guarantees issued	3,283,628	2,973,368	3,283,628	2,973,368
Guarantees received	26,216,936	7,788,964	26,216,936	7,788,964
Third party commitments	676,523	326,125	676,523	326,125
Assets received as guarantees	6,399,008	5,041,107	6,399,008	5,041,107
Foreign exchange spot operations:				
Purchases	105,722	46,486	105,722	46,486
Sales	106,153	46,259	106,153	46,259
Foreign exchange forward operations:				
Purchases	-	7,337	-	7,337
Sales	177,130	184,260	177,130	184,260
Swap currency contracts	2,779	1,117,096	2,779	1,117,096
Securities and items held for safekeeping	822,930	883,710	822,930	883,710

32. Net Total Assets and Liabilities denominated in foreign currency

The value of this item is comprised of:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Assets:				
Cash and Deposits at the Banco de Moçambique	230,928	343,005	230,928	343,005
Loans and advances to Credit Institutions	5,467,965	4,316,975	5,467,965	4,316,975
Loans to Customers	3,487,699	3,449,580	3,487,699	3,449,580
Other assets	104,159	263,605	19,837	70,734
	9,290,752	**8,373,165**	**9,206,429**	**8,180,294**
Liabilities:				
Deposits from other credit institutions	460,715	106,677	460,715	106,677
Deposits from Customers	8,115,837	6,753,426	8,326,373	6,983,024
Creditors	52,213	60,801	7,631	4,661
Other liabilities	424,528	478,482	244,517	327,613
	9,053,294	**7,399,386**	**9,039,237**	**7,421,975**
	237,458	**973,779**	**167,193**	**758,319**

The exchange rates used to convert the balance sheet and net income for the year of the Group and of the Bank, as well as the rates used in converting the table above are demonstrated below:

Currency	Closing rate 31/12/2007 MZN	Closing rate 31/12/2006 MZN	Annual average rate 2007 MZN	Annual average rate 2006 MZN
Dollar (USD)	23,82	25,97	25,76	26,33
Rand (ZAR)	3,50	3,71	3,68	3,84
Pound (GBP)	47,59	40,99	51,65	49,07
Euro (EUR)	35,00	34,22	35,50	33,42

The rates are based on the official exchange rates published by the Banco de Moçambique.

33. Related Parties

The balances and transactions of the Group with related parties during the year ending on 31st December 2007, are as follows:

Related party involved	Type of operation	Original currency	Balance as at 31/12/07
BCP Lisboa	Applications	EUR	856,100
BCP Lisboa	Applications	GBP	7,472
BCP Lisboa	Applications	USD	3,147,974
BCP Lisboa	Applications	ZAR	400,050
BCP Bank and Trust Company – Cayman	Applications	USD	863,713
			5,275,309

34. Cash and Cash Equivalents

For the purposes of the cash flow statement, the item Cash and cash equivalents is composed as follows:

	Group		Bank	
	2007 MZN'000	2006 MZN'000	2007 MZN'000	2006 MZN'000
Cash deposits	1,135,241	1,092,075	1,135,185	1,092,070
Loans and advances to Credit Institutions				
in Mozambique	61,904	15,044	61,904	15,044
Loans and advances to Credit Institutions abroad	158,500	180,122	158,555	180,128
	1,355,644	1,287,242	1,355,644	1,287,242

35.Information on fair value

Fair value is based on market prices, whenever these are available. If not available, when regarding many products sold to Customers, fair value is estimated through internal models based on cash-flow discounting techniques.

Cash-flows for the different instruments sold are calculated according to its financial characteristics and the discount rates used include both the market interest rate curve and the current conditions of the pricing policy in the Bank.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, necessarily have some degree of subjectivity and reflect exclusively the value attributed to different financial instruments. However it does not consider prospective factors, like the future business. Under these conditions, the values presented cannot be understood as an estimate of the economic value of the Bank.

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

Cash and deposits at Banco de Moçambique, Loans and advances to credit institutions repayable on demand and Amounts owed to other credit institutions

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

Other loans and advances to credit institutions, Amounts owed to other credit institutions from Inter-bank Money Market transactions and Assets with repurchase agreement

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash-flows for these instruments, considering that the payment of the instalments occur in the contractually defined dates.

The discount rate used reflects the current conditions applied by the Bank in identical instruments for each of the different maturities.

Financial assets held for trading, Financial liabilities held for trading and Financial assets available for sale

These financial instruments are accounted at fair value, which is based in market prices, whenever these are available. If market prices are not available, fair value is estimated through internal model based on cash-flow discounting techniques.

In the case of unquoted shares, these are recognised at historical cost when no market prices are available and when it is not possible to determine reliably its fair value.

Loans and advances to Customers with defined maturity date

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows taking into account that the payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments for each of the homogeneous classes of this type of instrument and with similar maturity. This calculation considers credit risk spreads.

Loans and advances to Customers without defined maturity date and Customers' demand deposits

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

Deposits from Customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest cash-flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in identical instruments with a similar maturity.

Debt securities issued and Subordinated debt

For these financial instruments, fair value was calculated for the components that are not yet reflected in the balance sheet of the Group.

For the fixed interest rate instruments for which the Bank applies a hedge-accounting policy, the fair value regarding the interest rate risk is already accounted for. In fair value calculation the other risk components were also considered, apart from the interest rate risk.

Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through internal models based on cash-flow discounting techniques.

36. Retirement pensions

As at 31st December 2007, the number of participants covered by the retirement pension plan was as follows:

	2007	2006
Retirees and pensioners	493	510
Current Employees	1,442	1,353
	1,935	**1,863**

In conformity with the accounting policy described in 3 m), the responsibility for Employee retirement pensions, based on the calculation of the actuarial value of the projected benefits, is analysed as follows:

	2007 MZN'000	2006 MZN'000
Past service liability	443,597	392,996
Retiree liability	776,473	764,574
Pensioner liability	77,482	65,798
Total liability	1,297,552	1,223,368
Value of coverage	1,301,769	1,223,675
Difference of coverage	4,217	307
Costs for the year	22,402	20,203

The value of retirement pension liability is analysed as follows:

	2007 MZN'000	2006 MZN'000
For current Employees		
Accumulated value of capitalization policy + profit-sharing estimate	447,814	393,303
For retired former Employees		
Assets + Income allocated to Annuity policy	853,955	830,372
	1,301,769	1,223,675

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

	2007	2006
Normal retirement age:		
Men	60	60
Women	55	55
Salary increase rate	8%	8%
Pension increase rate	7%	7%
Fund increase rate	11%	11%
Mortality table	PF 60/64	PF 60/64

37. Indicators of Statement of Consolidated Returns by business segment

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

Segments description

Commercial Banking is the dominant business in the Bank's activity, both in terms of volume and contribution to results. The Commercial Banking activity, targeting the segments of Retail Banking and Corporate, focuses its activity on satisfying Customers' financial needs, both individual and companies.

The strategy approach of Retail Banking was set to target Mass Market Customers, who appreciate a value proposition based on innovation and speed, and Affluent Customers, who for their specific characteristics, financial assets or income level imply a value proposition based on innovation and personalisation, requiring attendance through a dedicated Account Manager. Within the scope of the cross-selling strategy, the Retail Banking also acts as a distribution channel for financial products and services of the Bank and the Insurance Company.

The Corporate segment, dedicated to companies and institutional Customers, whose activity dimension is in line with the Bank's selection criteria established for this segment, provides a complete range of value added products and services in accordance with their financial needs.

Business segments activity in 2007

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

The net contribution of the Insurance Company reflects the individual results, independently from the percentage held by the Bank.

The following information is based on financial statements prepared according to IFRS.

MZN '000	Retail Banking	Corporate Banking	Insurance	Other	Consolidated Total
Net interest income	1,170,915	1,042,416	161,263	0	2,374,594
Net fees and commissions income	503,759	181,124	-24,980	0	659,903
Net gains arising from trading activity	185,350	226,539	-15,426	0	396,463
Other operating income	50,973	62,301	307,048	-160,965	259,357
Total operating income	**1,910,998**	**1,512,379**	**427,905**	**-160,965**	**3,690,317**
Staff costs	-435,830	-315,857	-65,228	22,402	-794,513
Other administrative costs	-410,492	-335,857	-44,498	110,827	-680,020
Amortization	-104,674	-85,642	-8,456	-4,545	-203,317
Total Operating costs	**-950,995**	**-737,356**	**-118,182**	**128,684**	**-1,677,850**
Banking Income	**960,003**	**775,023**	**309,723**	**-32,281**	**2,012,468**
Loans impairment	-100,464	-140,035	0	0	-240,499
Other provisions	18,289	14,963	-140,257	0	-107,005
Profit before income tax	**877,827**	**649,951**	**169,467**	**-32,281**	**1,664,964**
Income tax	-70,959	-58,057	-7,330	0	-136,346
Minority interests	0	0	0	-16,085	-16,085
Profit for the year	**806,868**	**591,894**	**162,137**	**-48,366**	**1,512,533**

38. Risk Management

The management of risks inherent to the banking activity has become the object of specific attention from supervisors, conscious of the crucial importance of the maintenance of an adequate relationship between each institution's own funds and the levels of risk of its business activity.

On the other hand, the best banking practices recommend a complete segregation of functions between origination, management and control of the risks undertaken.

Millennium bim's risk-management policy is designed to ensure adequate relationship at all times between its own funds and its business, and also to evaluate the risk/return profile by business line. In this connection, monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Bank's business is subject, are of particular importance.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty of a contract to fulfil their obligations, as borrowers.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective price volatility.

Liquidity – Liquidity risk reflects the Millennium bim inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

Within the scope of the Organisational Model of the Bank and aware of the importance of the evaluation and risk control activity and, on the other hand, of the opportunity to generate positive synergies due to its integration in a multi-domestic financial Bank, the Millennium bim Executive Commission created the Risk Office, that works in close collaboration with the Group Risk Office of Millennium bcp and approved the adoption of an extensive set of Risk Management Standards and Principles, to be applied in a transversal way relatively to the Millennium Group.

In addition, the Executive Commission of Millennium bim, created the Risk Control Commission, in which the Group and Local Risk Office take part, being responsible for controlling Bank activity risks, in compliance with the limits defined in the abovementioned Risk Management Standards and Principles.

The Executive Commission of Millennium bim created the Audit Committee, which in association with the Risk Control Commission, ensures the existence of an adequate control of risk management systems for Millennium bim.

The Executive Commission of Millennium bim is responsible on defining the risk policy, including the approval at the highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Risk Control Commission is responsible on monitoring the overall level of risk incurred, ensuring they are compatible with the objectives and strategies approved for the business.

The Risk Office is responsible on controling the risks in the Banks' activity in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. The Risk Office has to keep the Risk Control Committee informed regarding the Millennium bim's level of risk, proposing measures to improve its control and implementing the approved limits.

Credit Risk

Within the scope of credit risk, rating and credit scoring models were developed for individual Customers and companies, becoming operational in 2008. In parallel, a balance sheet collection centre was established with the objective of treating, on an historical basis and according to sectors of activity, the economic and financial information of companies, to be used and supporting the scoring model.

Loans Impairment

During 2007, Millennium bim improved its loans impairment calculation process, by changing the evaluation of the quality of the loans portfolio to an economic approach. Within this context, the new developments introduced along the year focused on the review and documentation of the calculation process, as well as in the establishment of more objective criteria for evaluating loss expectations in the case of Customers evaluated individually, i.e., in terms of credit risk, loss recognition and measurement processes by loan portfolio impairment were implemented, according to the new international accounting standards (IAS39), namely:

(i) Definition of impairment triggers;

(ii) Establishment of selection criteria for Customers individually significant for the impairment levels analysis;

(iii) Definition of the methodology for the construction of the respective parametric tree;

(iv) Definition of the methodology for the measurement and calculation of Probability default (Probability of Default – PD), the loss due to an uncomplishment (Loss Given Default – LGD), and of the Impairment Incurred But Not Reported (IBNR) all associated to the Bank's loans portfolio.

The combination of these indicators enables the calculation of the economic capital associated with the credit risk and the contribution of each sector or the exposition to total risk.

These measures, in addition to contributing towards the quantification of credit risk, strenghten the process of the risk/return analysis of transactions in relation to economic capital.

The Millennium bim has made significant changes on the decision process in order to better adapt to changing market conditions and greater efficiency on decision taking. In this context, new Credit Regulations regarding the granting, monitoring and recovery of credit were approved.

Market Risk

In order to follow and monitor market risk, the Millennium bim uses internal models to monitor interest rate and exchange rate risks, namely:

(i) Gap & sensitivity analysis to measure the Interest Rate Risk (the GAPS are elaborated according to the remaining maturity dates relative to the repricing of existing contracts), as shown below, as at 31st December 2007:

Interest Rate GAP for the Balance Sheet – MZN

MZN'000

Interest rate mismatch by remaining maturity date relative to repricing	<1M	1M-3M	3M-6M	6M-1Y	>1Y
Activity (Commercial Banking)	8,226,714	2,928,587	566,111	367,463	56,856
Risk coverage	-7,705,719	-3,931,697	-1,757,444	-1,718,557	-5,835
Total (Commercial Banking)	520,995	-1,003,111	-1,191,333	-1,351,094	51,021
Bonds and Other Securities Issued by Public Entities Available for Sale	1,081,632	970,964	1,382,670	2,694,617	0
Bonds and Other Securities Issued by Other Entities Available for Sale	0	0	0	0	0
Financing and Coverage	465,000	65,000	360,000		
Total Banking Portfolio	2,067,627	32,853	551,337	1,343,523	51,021
Accumulated sensitivity	4,938	4,129	2,864	9,586	–

M – Month; Y – Year

Interest Rate GAP for the Balance Sheet – USD

MZN'000

Interest rate mismatch by remaining maturity date relative to repricing	<1M	1M-3M	3M-6M	6M-1Y	>1Y
Activity Commercial Area	2,158,936	999,958	115,707	0	73
Risk Coverage	-3,291,449	-2,272,280	-1,310,046	-219,836	-1,397
Total (Commercial Banking)	-1,132,514	-1,272,322	-1,194,339	-219,836	-1,325
Dealing Room Activity	3,015,088	974,209	7,146	15,245	0
Financing and Coverage	0	0	147,212	0	0
Total Banking Portfolio	1,882,574	-298,113	-1,039,981	-204,591	-1,325
Accumulated sensitivity	18,176	15,692	5,684	4,661	–

M – Month; Y – Year

(ii) Exchange Rate Risk is evaluated through the indicators defined in the prudent regulation of the Banco de Moçambique, in which the analysis is carried out by resorting indicators such as:

a) Net open position by currency – Collected via the Bank's information system by the Risk Office, and validated by the Accounting Department and the Financial Department, with reference to the last day of each month; and

b) Sensitivity Indicator calculated through the simulation of the impact, on the Bank's results, of a hypothetical variation of 1% of the Central Banks' revaluating rate.

The results as at 31st December reveal that the Bank is within the exchange rate risk tolerance levels defined within the scope of the prudential regulations established by the Banco de Moçambique, by currency and all currencies overall.

Liquidity Risk

The evaluation of Millennium bim's liquidity risk is carried out using internally defined indicators and ther defined by the Millennium Group for which the exposure limits are also defined. The evolution of Millennium bim on short term liquidity situation (up to three months) is reviewed monthly based on two indicators defined in-house: immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that can occur on a single day, considering the cash-flow projections for three days and for a three months periods, respectively.

Calculation of these indicators involve adding to the liquidity position of the day under the analysis of the estimated future cash-flows for each day of the respective time (three days or three months) for the transactions as a whole brokered by the Dealing Room, including the transactions with Corporate Customers that, because of their dimensions, have to be quoted by the Dealing Room.

To the value thus calculated is added the amount of assets in the Bank's securities portfolio considered highly liquid. This leads to a determination of the liquidity gap accumulated for each day of the period under review. These values are reported monthly to the areas responsible for liquidity position management and confronted with the exposition limits in force.

In parallel, Millennium bim's Liquidity Ratio is calculated on a monthly basis, also using the liquidity Gap (differential) methodology. For this purpose, the liquidity Gap is defined as the accumulated position of (net) liquidity available at each maturity interval (less than 1 month, 1-3 months, 3-6 months, 6 months-1 year, more than 1 year), as a percentage of total assets with equivalent remaining maturity dates.

According to Millennium bim's internal Liquidity Risk Management Principles, the calculation of the Liquidity Ratio considers the following assumptions:

(i) Highly liquid assets – for example, values in cash, deposits at the Central Bank and Government securities, treasury bills and treasury bonds (OT and BT), among others – are included in the first maturity interval (less than 1 month), quantified through the application of specific haircuts;

(ii) Assets and liabilities with no defined maturity – for example, deposits repayable on demand, investments and fixed assets. It also includes operations with anticipated settlement options (for example, term deposits). These items are distributed over a temporal interval in accordance with remaining maturity dates.

Liquidity Risk Ratio is calculated considering the following scenarios:

(i) Basis Scenario, to determine the Bank's Liquidity Risk profile, taking into account the actual situation of the Institution, to ensure that Millennium bim is in a position to fulfil its obligations and;

(ii) Liquidity Stress Tests, to understand the liquidity risk profile of the Bank, ensuring that Millennium bim is in a position to fulfil its obligations in the event of a liquidity crisis and to contribute to the preparation of the liquidity contingency plan and management decisions. Stress Tests are performed each month.

The Stress Tests in force at Millennium bim are based on specific crisis scenarios at the Bank and market crisis scenarios.

This analysis is submitted to the Risk Control Commission for appraisal, in order to ensure decision taking leading to the upkeep of financing conditions adequate to the continuation of the business.

The Liquidity Ratios, reported as at 31st December 2007, clearly shows that the Bank surplused liquidity, i.e., the Bank's liquidity is within the limits defined by the Millennium Group for this type of risk control, by registering a positive ratio of 15.45% (if negative, this ratio must not exceed 25% of total short-term liabilities).

Operational Risk

Millennium bim has adopted principles and practices to guarantee efficient operational risk management, namely through the definition and documentation of these principles, besides the implementation of respective control mechanisms, e. g. the segregation of functions, responsibility levels and respective authorizations, exposition limits, deontological and conduct codes, key indicators, computer system controls contingency plans, physical and logical accesses, reconciliation activities and internal training on processes, products and systems.

The approach to operational risk management at Millennium bim is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the main parties responsible for evaluating the risks and strengthening performance within the scope of their systems. The Process Owners are responsible for keeping up-to-date all the relevant documentation concerning the procedure, ensure the adequacy of all controls to the Organic Units responsible on this matter, to coordinate and taking part in the risk self-assessment exercises, as well as detecting and implementing improvement opportunities, including mitigating measures for the most significant risk exposure. In 2008 a systematic process of gathering information on operational losses will be introduced, directed at the creation of a historical information database allowing the identification of major risk processes and the launching of measures to reduce expositive.

Capital Management

The current requirements for capital management reflect greater sensitivity and rigour relative to banking business risk in establishing the management requisites. Operations are classified in accordance with regulated considerations, reflecting the different risk levels of exposure assumed by the Bank.

Group policies define that the Bank shall maintain a strong capital base, so as to inspire confidence in its Shareholders, Customers and creditors to maintain a future sustainable base. However it is recognised that there is a need to maintain an equilibrium between high levels of return and an adequate level of solvency for the Institution.

The capital allocated to each operation varies according to the different risk levels calculated, but are always kept above regulated levels.

39. IFRS 1

Within the scope of the provisions of Notice 4/GBM/2007, circular 02 and 03/SHC/2007 of 30th March, the individual and consolidated financial statements of the Banco Internacional de Moçambique fulfill the International Financial Reporting Standards (IFRS) for the year commencing 1st January 2007.

The individual and consolidated financial statements of the Banco Internacional de Moçambique as at 31st December 2006 and 2005 were set out in conformity with the accounting principles defined by the Accounting Plan for the Banking System and rules issued by the Banco de Moçambique (local rules). The differences between the Local rules and the IFRS, with an impact on the individual and consolidated financial statements of the Banco Internacional de Moçambique as at 1st January and 31st December 2006 and the reconciliation of shareholder equity and net income for the year on the said dates, are presented as follows:

		Bank MZN'000		
		31st December 2006		1st January 2006
	Note	Shareholders' Equity	Net income for the year	Shareholders' Equity
Local rules				
Shareholders' Equity		942,540	1,156,493	1,114,329
Minority interests				
		942,540	1,156,493	1,114,329
Valuation of investments	(a)	(291)	-	(291)
Intangible assets	(b)	(4,662)	(48,074)	(4,662)
Deferred taxes	(c)	131,870	(83,032)	131,870
Total transition adjustments		126,917	(131,106)	126,917
IFRS		1,069,457	1,025,387	1,241,246

		Group MZN'000		
		31st December 2006		1st January 2006
	Note	Shareholders' Equity	Net income for the year	Shareholders' Equity
Local rules				
Shareholders' Equity		864,261	1,259,545	1,148,794
Minority interests				
		864,261	1,259,545	1,148,794
Valuation of investments	(a)	(687)	-	329
Intangible assets	(b)	(5,397)	(47,568)	(5,397)
Deferred taxes	(c)	132,809	(83,934)	132,809
Buildings	(d)	(15,149)	(3,030)	(15,149)
Goodwill	(e)	122,313	-	-
Total transition adjustments		233,889	(134,532)	112,592
IFRS		1,098,150	1,125,014	1,261,386

a) Valuation of investments

According to the Local rules, fixed and variable income securities are registered at nominal value and cost, respectively, and potential capital loss resulting from the difference between the book value and market value are provisioned for by a balancing entry in the income statement.

Investments in companies in which the Bank's stake represents less than 20% of share capital and in which the Bank does not exercise significant influence but are considered strategic investments, before 31st December 2006, were registered at acquisition cost in accordance with Local rules, net of provisions calculated in accordance with the following criterion:

According to the IFRS, and as outlined in the accounting policy presented in note 3 e) the investment stock classified as available for sale is now valued at fair value, with the difference between fair value and acquisition cost recorded with a balancing entry in reserves.

These financial assets are periodically subject to impairment tests. For those securities in which an impairment loss was identified, the Bank recognised the loss with a balancing entry in retained earnings on the transition date, 1st January 2006. During 2006, for the said portfolio, the adjustment carried out reflects the variations in fair value and impairment recognised in Shareholders' equity and results, respectively.

b) Intangible assets

According to the Local rules, a group of assets created by the actual company was recognised as intangible assets and amortised over a period of three years. Considering the rules defined by the IAS 38, which establishes that the costs relative to Own works capitalised can only be capitalised if they are expected to generate future economic benefits, and if they can be reliably measured, since the said assets do not fulfil the recognition criteria defined by the Rule, they were subsequently annulled.

c) Deferred taxes

According to the Local rules, the deferred tax assets are not recognised in the accounting records. In the criterion defined by IAS 12, they are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved at balance sheet date for each jurisdiction and that is expected to be applied when the temporary difference is cancelled.

Deferred taxes are recognized to the extent of a reasonable expectation to obtain future taxable profits, allowing absorption of the deductible temporary differences for taxation purposes (including reportable taxable losses). The adjustment carried out corresponds to the deferred taxes recognised on the transition date and its correspondent reported in 2006.

d) Buildings

The buildings owned by the Group's subsidiary, the Seguradora Internacional de Moçambique, S.A. are classified as investments in the insurance firm's in the subsidiary accounting, and most of the buildings are rented to other entities. Specifically in relation to the Group head-office building, the subsidiary has various floors rented to its parent company, BIM – Banco Internacional de Moçambique, S.A., thereby generating rental income and expenditure for both. For the purposes of the consolidated financial statements, in conformity with NIC 27, these transactions have been cancelled and the aforementioned building has been entered within the Group's tangible fixed assets, therefore subject to depreciation. The adjustment made corresponds to the accumulated effect of depreciation recorded up until the transfer date plus depreciation for the 2006 financial year.

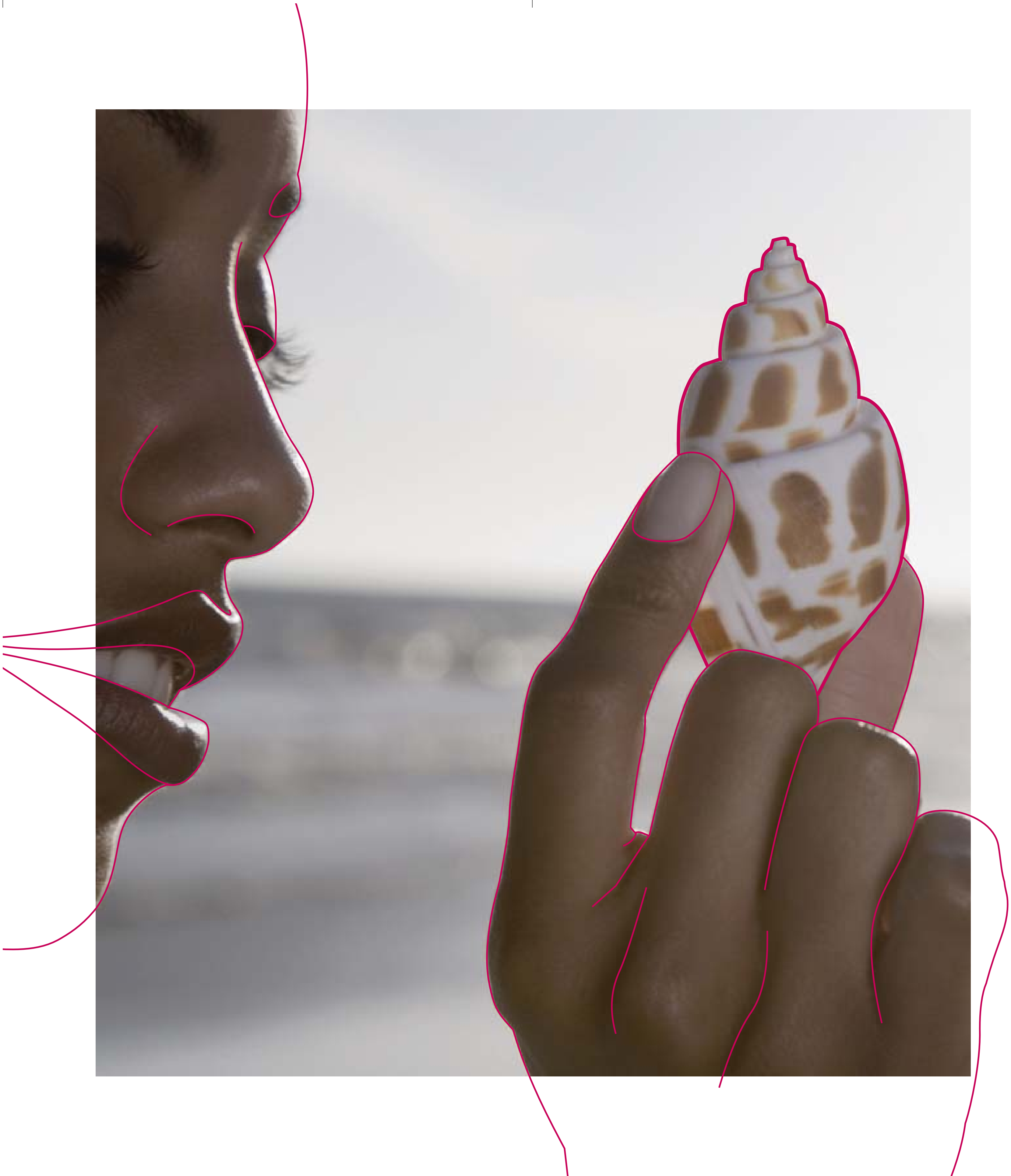
e) Goodwill

According to the Local rules, the goodwill in the acquisition of stakes in other companies is registered in the account Reserves in Shareholder equity. As specified by the criterion defined by the IAS 38, the goodwill resulting from the payment for the acquisition of a stake in other companies must be recorded as Intangible Assets. This goodwill is not subject to amortisation, and has to be subject to impairment tests every year.

Consolidation

As a result of the need to present consolidated financial statements, based on standardised accounting principles and in accordance with paragraph 28 IAS 27, the Seguradora Internacional de Moçambique, S.A. also had to present its converted accounts in accordance with the International Financial Reporting Standards, on the same basis as BIM – Banco Internacional de Moçambique, S.A. The accounts of the Bank and the Insurance Company are now consolidated using the full method.

Report of Independent Auditors



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Independent Auditor's Report

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

We have audited the annual financial statements of BIM - Banco Internacional de Moçambique, S.A., (consolidated and company) which encompass the consolidated and Bank's balance sheets at 31 December 2007, and consolidated and Bank's income statement, consolidated and Bank's cash flow statement, and consolidated and Bank's statement of changes in equity for the year then ended, and consolidated and Bank's notes to the financial statements, including a summary of the significant accounting policies and other explanatory notes, set out on pages 12 to 83, in accordance with International Financial Reporting Standards (IFRS).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BIM - Banco Internacional de Moçambique (consolidated and company) as at 31 December, 2007 and of its financial performance (consolidated and company) and its cash flows (consolidated and company) for the year then ended in accordance with International Financial Reporting Standards (IFRS).

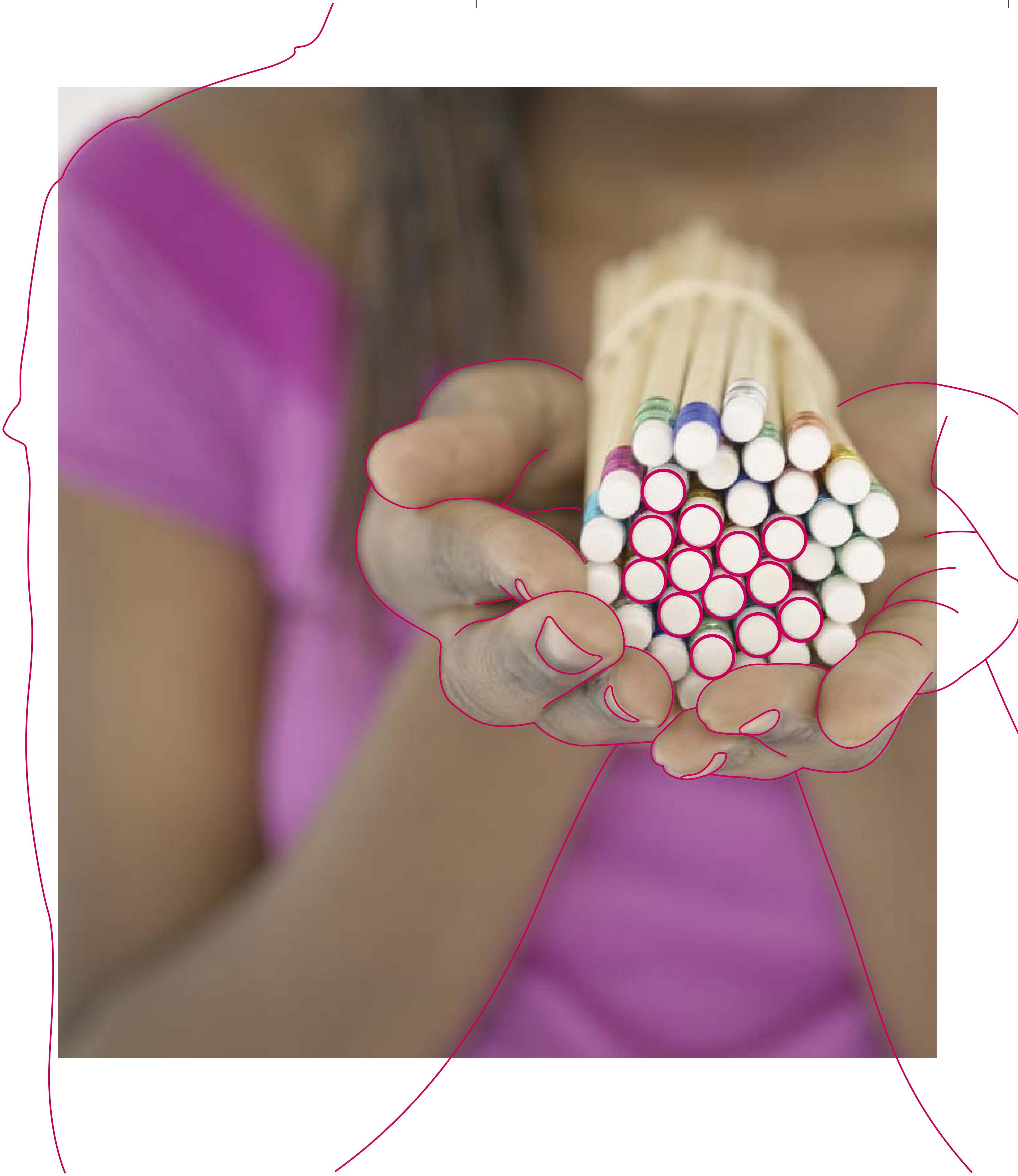
KPMG

KPMG

15 February 2008

Maputo

Report and Opinion of the Audit Board



BIM – Banco Internacional de Moçambique, S.A.

Report and Opinion of the Audit Board

The Audit Board submits to the shareholders its report on the supervisory activity performed at BIM – Banco Internacional de Moçambique, S.A. and its opinion on the Consolidated Financial Statements of the Millennium bim Group, the individual Financial Statements of the Bank and the Report of the Board of Directors in respect of the financial year ended on 31st December 2007, in accordance with legal provisions and those of the articles of association.

In the performance of its functions, the Audit Board held meetings throughout the year with the regularity required by law, monitored the operation of the Bank, basically by means of the perusal of the Monthly Financial Statements and the respective Management Information throught the participation in meetings of the Board of Directors, contacts maintained with the Management and besides information gathered from the management information systems of the Bank, seeking to assess the evolution of the business.

Special attention was given to operations for reclassification and adjustment of accounts that appear in the 2006 Financial Statements, in order to be comparable with the 2007 Financial Statements, now prepared in accordance with International Financial Reporting Standards (IFRS) and to the operations that are reflected in these Millennium bim Financial Statements that explain the principal changes in the main indicators of the Bank (on an individual basis), namely:

- Increase in Net Interest Income of about 30.8% (having risen from MZN 1,692,211 thousand in 2006 to MZN 2,213,331 thousand in 2007) as a consequence of an increase in the volume of business, in other words, of interest earning assets, in particular:
  - i) growth of net customer credit (which rose from MZN 10,520,230 thousand in 2006 to MZN 12,503,472 in 2007);
  - ii) growth of the portfolio of bonds and other fixed-income securities available for sale (which rose from MZN 4,584,842 thousand in 2006 to MZN 5,865,189 thousand in 2007); and
  - iii) growth of deposits with other credit institutions (which rose from MZN 4,164,235 thousands in 2006 to MZN 5,342,702 thousand in 2007).
- Growth of net Commission of some 33.1% (having risen from MZN 514,418 thousand in 2006 to MZN 684,884 thousand in 2007) as a result of an increase in the volume of the Bank's commission-earning transactions.

- Continued improvement in the quality of the loan portfolio (resulting from the recovery of some overdue loans, the restructuring of others and continuing rigour in risk assessment of new loans), which, although it caused an increase in the volume of overdue loans from MZN 138,992 thousand in 2006 to MZN 168,599 thousand in 2007, led to:

  i) the ratio of overdue loans to total loans being maintained at some 1.3%; and

  ii) the volume of total provisions for impairment losses for credit risk amounting to MZN 647,740 thousand in 2007, giving a coverage ratio of overdue loans of 384.2% (compared to 336.8% in 2006).

- Growth of funds raised, the financial statements showing that customers' deposits rose from MZN 20,862,660 thousand in 2006 to MZN 23,671,563 thousand in 2007, in other words, an increase of 13.5%. These funds are being used carefully, mainly for new loans and securities to other credit institutions.

- Moderate growth of operating expenses (which include staff costs, other administrative costs and amortisation of the financial year), which reached MZN 1,688,352 thousand in 2007 (compared to MZN 1,552,873 thousand in 2006), representing an increase of 8.7% over the preceding year.

- The net profit of Millennium bim, which reached MZN 1,398,763 thousand in 2007, showing an increase of 36.4% over the MZN 1,025,387 thousand in the preceding year.

The Audit Board also examined the 2007 Management and Accounts Report and the Financial Statements audited by the External Auditor, including its Opinion, which showed that:

- The Consolidated Balance Sheet and the Balance Sheet of BIM – Banco Internacional de Moçambique, S.A. adequately reflect the financial situation of the Bank and of the Group as of 31st December 2007.

- The Consolidated Profit and Loss Account and the Bank Profit and Loss Account reflect a consolidated profit of MZN 1,528,618 thousand and a profit for the Bank of MZN 1,398,763 thousand, which show the business result of the Group and of the Bank.

As a result of the performed checking and the added information:

- Is of the opinion that the Consolidated Financial Statements and the Bank's Financial Statements (composed of the following items for the Group and for the Bank: Balance Sheet, Profit and Loss Account, Statement of changes in Equity and Cash Flow Statement, including notes thereto):

  i) are in compliance with the Law and provisions of the articles of association, as well as with the rules issued by the Central Bank;

ii) have been prepared in accordance with the International Financial Reporting Standards (IFRS); and

iii) present a true picture of the financial situation of the Group and of the Bank as at 31st December 2007, as well as of the results of the operations of the Group and of the Bank in the financial year.

It is of the opinion that the General Meeting:

- Should approve the Management Report of the Board of Directors and the Consolidated Financial Statements and the Millennium bim Financial Statements for the financial year ended as at 31st December 2007;
- Should approve the proposal for the allocation of net Results shown in the individual Financial Statements of the Bank, amounting to **MZN 1,398,761,937.82**, in the following terms:

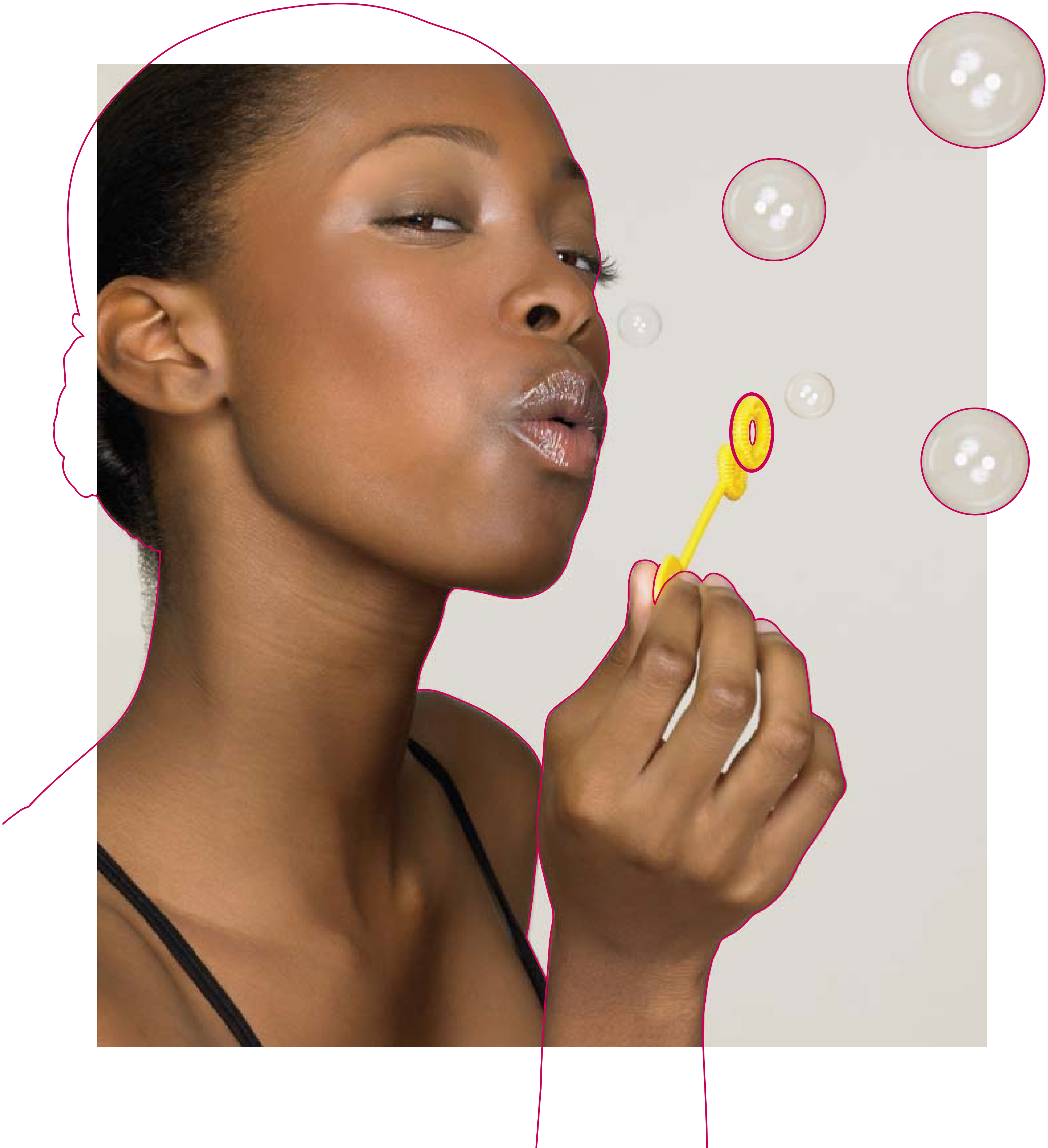
• Legal Reserve	15.0%	MZN 209,814,291.00
• Free Reserve	57.5%	MZN 804,288,114.82
• Reserve for Dividend Stabilisation	2.5%	MZN 34,969,048.00
• Distribution to Shareholders	25.0%	MZN 349,690,484.00

- Should expressed a vote of praise for the performance of the Board of Directors and of all the other employees of Millennium bim in the 2007 financial year.

Maputo, 15th February 2008

The Audit Board

António de Almeida – Chairman
Subhaschandra M. Bhatt – Member
Daniel Filipe Gabriel Tembe – Member



Annual Report 2007
BIM – Banco Internacional de Moçambique, S.A.

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