WEGAGEN BANK, S.C.

2008/09 Annual Report

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Management Members

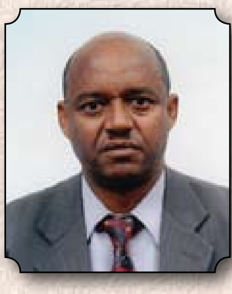
Araya G/Egziabher
President / CEO

Kewser Reshid
V/P - Operations

Woldgebriel Wedajo
V/P - Support Services

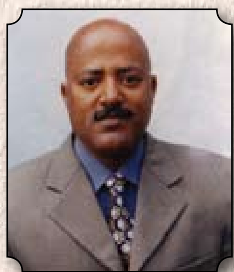
Demas Zewdu
Manager, Corporate Planning Department

Kahsay Fiseha
Manager, Finance & Treasury Department



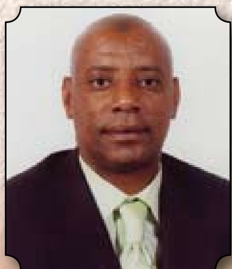
Eneyew Tadele
Manager, Domestic Banking Department

Dawit Teferra
Manager, IS Department

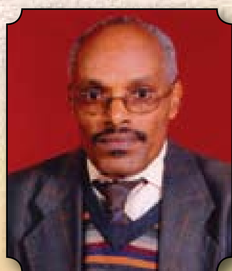


Gebru Meshesha
Manager, Marketing Department

Wende Wodaje
Manager, Credit Department



Abdella Sultan
Manager, Admin. & HRD Department



G/Giorgis Hailu
Manager, Risk Management Department

Contents

Vision

Wegagen Bank's vision is:

"Becoming the most preferred Bank in Ethiopia"

Mission Statement

The Bank's mission is:

"To provide a wide range of quality banking services through a dynamic workforce and up-to-date IT solutions to satisfy the desires of all stakeholders"

Principles and Values:

Wegagen Bank is committed to the following main business principles.

- Outstanding customer service;
- Business integrity, honesty and loyalty;
- Effective, efficient and expanding operations;
- Strong capital and liquidity position;
- Prudent lending;
- Reasonable cost control discipline;
- Fair and objective employment practices;
- Commitment to comply with the spirit and letter of the Law;
- Playing a responsible role in aligning objectives with those of the local communities.

Message from the Chairman of the Board

With the challenging economic environment, changes to the regulations in place, increased competition and significant advances in technology, Wegagen Bank, s.c. once again witnessed successful achievements in the fiscal year 2008/09.

I, therefore, feel honored to present the report of the Bank for the fiscal year 2008/09, the year that demanded focused effort to deal with the impact of the external factors and yet achieve outstanding results by taking advantage of our strengths and utilizing the opportunities.

During the fiscal year 2008/09, our Bank passed through the phenomena of global economic recession and overturn inflation. Ethiopia's financial systems had not been seriously affected by the global financial crisis because of limited integration into the global economy. However, the country had to a certain extent faced the impact of the ensuing slowdown in global economic growth. Likewise, inflationary pressure challenged our macro-economic environment by continuing through the third quarter during the fiscal year.

To mitigate the impacts, National Bank of Ethiopia continued to use available monetary policy instruments to the extent of cutback of banks' loans to control inflation. The step, however, had adverse effect on the operation of our Bank. Incentives to encourage the export sector like lifting of commission and devaluation of the Birr against USD were other macro economic stabilization measures taken. Other concerted fiscal and monetary policy measures were also taken by the Government.

Nevertheless, the country's economy continued to register double digit growth on the face of the global economic recession. Agricultural Development Led Industrialization (ADLI) strategy is being realized by ensuring the structural transformation from agriculture to industry and service sectors. Much was done to encourage the export sector. These added up to the enhancement of the export activity. Infrastructural developments also played crucial role in investment, development of trade, financial and other small and large scale business activities. Oil, one of the important imported items that consume significant amount of the country's foreign currency reserve indicated sizeable decline in price during the fiscal year under consideration as compared to the previous fiscal years, becoming helpful in the economy.

To highlight the growth parameters, total assets of our Bank reached Birr 5.1 billion, and aggregate deposits were Birr 3.7 billion. The number of shareholders reached 1,222 at the end of the fiscal year under review. During the fiscal year, the Bank gave due attention to the responsibilities of raising the Bank's capital base, improving asset quality, enhancing efficiency in service delivery, and strengthening the capacity of the workforce. As a result, the paid–up capital's growth accelerated to close to Birr 518 million due to the growing image of the Bank over the years. The achieved profit of the Bank resulted in an earning per share (with value of Birr 1,000 each) of Birr 389. The continued effort to reduce the level of non-performing loans was successful, and it was possible to maintain the ratio at low level.

The operational results achieved so far could never have been attained without the collective efforts of the shareholders, executives, staff, and other stakeholders of our Bank. Indeed, together we are living up to the inspirational vision of Wegagen Bank s.c., "Becoming the most preferred Bank in Ethiopia".

Our aim now is to improve our competitive performance using our strengths: experience, responsiveness and unreserved commitment. We offer our commitment, as expressed in our mission statement, to continue providing a wide range of quality banking services through a dynamic workforce and advanced state-of-the-art IT solutions to satisfy the desire of all stakeholders. As a result, preparations are finalized to introduce a payment card system using automated teller machines and point of sale terminals which will enable the Bank provide a non-stop 24-hour service. Agreement has been signed with the consultant with the intention to increase the building height from 12 to 20 storeys.

Various in-house and external trainings were provided to staff members at their respective levels so as to guarantee excellence through service.

In closing, I wish to applaud all stakeholders the continued interest in support of the Bank and solid cooperation. We shall continue to work in the direction of making our Bank most preferred.

Thank you.

Sebhat Negga
Chairperson,
Board of Directors

Message from the President/CEO

I am pleased to underscore the satisfactory progress Wegagen Bank, S.C. registered in the fiscal year 2008/09 despite the global economic crisis that continued the high inflation rate at national level as well as increased competition.

To manage these economic challenges, the Government had evolved necessary monetary and fiscal policy measures.

We united our energies and strengths to implement initiatives and engaged in tracing alternatives that helped us respond appropriately to the external challenges and grasp opportunities.

Total assets of the Bank increased from Birr 4.1 billion in FY 2007/08 to Birr 5.1 billion, showing 24.1% growth. Due to the cutback of loans and advances to regulate money supply in the economy, the volume of economic loans showed a 10% decline from the preceding year Birr 2.3 billion to Birr 2.1 billion. That being the case, efforts to maintain low level of non-performing loans were successful and thus, the Bank's loan is found in a good quality.

Aggregate deposits augmented from Birr 3 billion to Birr 3.7 billion, showing a considerable growth of 25.7%.

The Bank earned a total income of Birr 472.2 million during the fiscal year, which is an increase of 9.8% as compared to the preceding fiscal year (Birr 430.2 million), whereas total expenses positioned at Birr 216.1 million showing a decline of 13.6%. As usual, lion's share of the total income was obtained from the operational outcome of international banking services. Thus, the Bank accounted a net profit before taxation of Birr 256.1 million, a high growth rate compared to that of the preceding year's Birr 190 million.

During the fiscal year under review, the Bank expanded its branch network to 48, out of which 23 were in Addis Ababa and the remaining 25 spread across the country in major towns. With regard to the international financial intermediaries' network, our Bank had partnership with a large number of correspondent banks and also with international money transfer partners.

Paid–up capital stepped up to Birr 517.6 million, a 39.6% increase compared with the balance as at the end of the preceding year (Birr 370.8 million), escorted by earning per share (with value of Birr 1,000 each) of Birr 389.

Staff strength reached 1,727 during the fiscal year under reporting. So as to reinforce and update with the changing business environment and to better satisfy customers, the Bank organized and provided various in-house, local and foreign trainings to 904 staff members in their respective levels.

To respond appropriately to increasingly sophisticated and diverse customer requirements, we will continue to evolve, to maintain our commitment and to look at our work from the customers' point of view. At the core, this underscores Wegagen's founding philosophy of promoting excellence through quality service strongly and continuously in order to thrive at a steady pace toward our vision. Thus, processes are under completion to introduce an upgraded core banking system.

In general, our Bank registered commendable performance during the year and provoked to excel in the years to come. These would not be realized without the accustomed commitment and cooperation of all the stakeholders of the Bank. Indeed, I would like to seize this opportunity to convey my special recognition to our esteemed customers for their confidence and our distinguished partners for their interest in our Bank. My appreciation also goes to the Board of Directors for its members' commitment and able guidance throughout the year. I am committed to and highly value the Bank's management and staff who continuously demonstrated their commitment, expertise and professionalism in meeting our Bank's objectives during the year and provoked to excel in the years to come.

I call up on all the stakeholders of the Bank to stand in harmony and support the initiatives to bring to reality the objective of the Bank. Please join us on our journey to the future. I sincerely request you to accept our appreciation for your commitment and on-going support.

Thank you.

Araya G/Egziabher
President /CEO

A. REPORT OF THE BOARD OF DIRECTORS

1. Performance Review

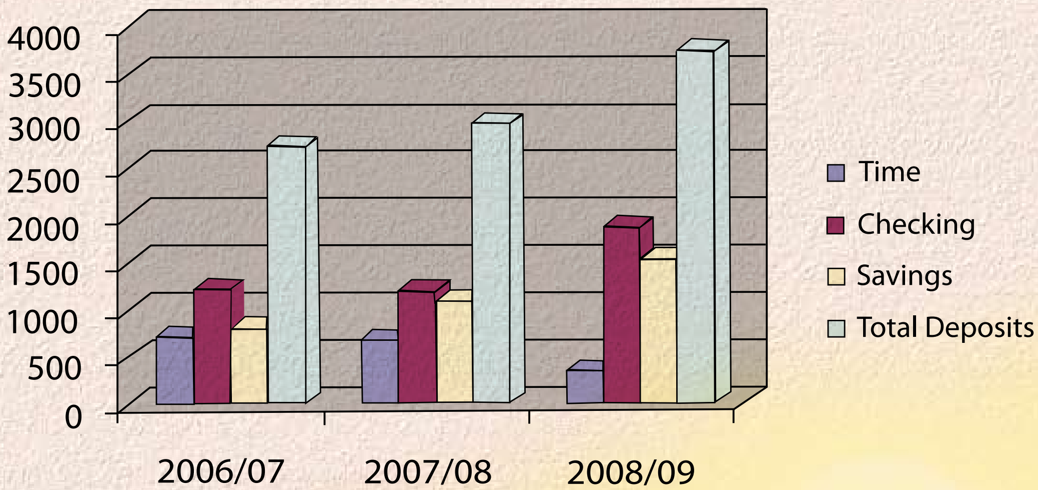
1.1 Domestic Banking Operations

1.1.1 Deposit

Total deposits as at June 30, 2009 were Birr 3.7 billion, showing an increase of over Birr 762.1 million or 25.7% when compared with the preceding fiscal year's figure of Birr 3 billion. The relative total number of deposit accounts increased from 116,046 in FY 2007/08 to 180,430 in FY 2008/09, showing a 50.5% growth.

Demand/checking/ deposits made the major share of total deposits representing Birr 1.9 billion (50.2%) while savings and time deposits contributed Birr 1.5 billion (40.7%) and Birr 340.2 million (9.1%), respectively. The chart below shows structure of deposits by category for the three most recent consecutive fiscal years.

Deposit Accounts by Category (Million Birr)



1.1.2 Local Money Transfers

Local money transfers are effected by means of telephone, drafts, mail and cashiers' payment orders (CPOs) to the entire satisfaction of both remitters and beneficiaries. During the reporting period, Wegagen Bank Branches processed 529,971 incoming and 515,265 outgoing local transfers each amounting to about Birr 10 billion.

1.2 International Banking Operations

In the reported period Birr 221.7 million or 44.6% of the Bank's overall revenue was generated from international banking operations. The revenue was generated by the Head Office and banking units at branches.

Wegagen Bank works with various international money remittance partners, to which our Bank is an agent.

The Bank has also established correspondent banking relationships with 106 internationally known banks in the countries of all continents to facilitate its international banking service needs. Out of them, there is account relationship with 21 banks for the use of standard settlement instruction. The list of Wegagen's correspondent banks with which account relationships are established for standard settlement instruction is shown in the following page.

Standard Settlement Instruction (SSI) ,Where We maintain Accounts.

No	Name of Bank	Currency	Town	Swift/BIC	Account No.	Type
1	Citibank NA	GBP	London	CITIGB2L	11070657	C/A or DDA
2	Citibank NA	EUR	London	CITIGB2L	10585831	C/A or DDA
3	Citibank NA	USD	New York	CITIUS33	36128583	C/A or DDA
4	Citibank NA	JPY	London	CITIGB2LCB2	12008939	C/A or DDA
5	Commerzbank AG	EUR	Frankfurt am main	COBADEFF	4008700304 01	C/A or DDA
6	Commerzbank AG	USD	Frankfurt am main	COBADEFF	400870030400-00	C/A or DDA
7	Commerzbank AG	SEK	Frankfurt am main	COBADEFF	4008700304 00SEK	C/A or DDA
8	Standard Chartered Bank	GBP	London	SCBLGB2L	017068107-01	C/A or DDA
9	Standard Chartered Bank	USD	London	SCBLGB2L	017068107-50	C/A or DDA
10	HSBC Bank Plc	USD	Johannesburg	HSBCZAJJ	121-000608-150	C/A or DDA
11	HSBC Bank plc	JPY	Johannesburg	HSBCZAJJ	121-000608-153	C/A or DDA
12	Unicredito Italiano SPA	EUR	Millan	UNCRITMM	0995 8850600	C/A or DDA
13	Unicredito Italiano SPA	USD	Millan	UNCRITMM	0995 1832500	C/A or DDA
14	ING Belgium SA/NV (formerly BBL)	EUR	Brussels	BBRUBEBB	301-0105758-12-EUR	C/A or DDA
15	ING Belgium SA/NV (formerly BBL)	USD	Brussels	BBRUBEBB	301-0105758-12-011	C/A or DDA
16	Natexis Banques Populaires	EUR	Paris	CCBPFRPP	30007999906079200000EUR	C/A or DDA
17	Natexis Banques Populaires	USD	Paris	CCBPFRPP	30007999906079200000USD	C/A or DDA
18	The National Commercial Bank	USD	Jeddah	NCBKSAJE	555135240 10105	C/A or DDA
19	Credit Agricole - Banque Indosuez Mer Rouge	USD	Djibouti	MRINDJJD	100820596580002	C/A or DDA
20	Banque pour Le Commerce ET Industrie Mer Rouge	USD	Djibouti	BCIMDJJ	095900155470001USD	C/A or DDA
21	Nordea Bank, Denmark a/s	DKK	Copenhagen	NDEADKKK	5000013858	C/A or DDA

Activities Financed by the Bank

Agriculture

Manufacturing

Transportation

1.3 Loans and Advances

Total outstanding loans as at June 30, 2009 were about Birr 2.1 billion showing a Birr 234.2 million (10%) decrease compared with the preceding fiscal year (Birr 2.3 billion). The downward variation in the fiscal year is due to global and domestic factors.

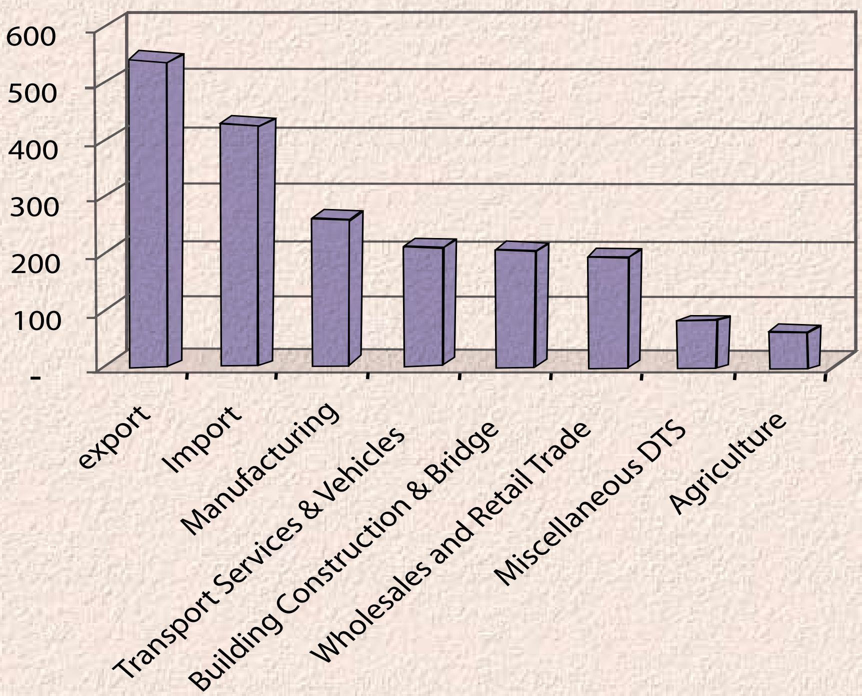
Explained below are loans and advances by type and amount with the help of a chart. Accordingly, the share of export was Birr 542 million (25.7%), import: Birr 427.2 million (20.2%), manufacturing: Birr 259.8 million (12.3%), transport service & vehicle: Birr 211 million (10%), building construction and bridge: Birr 204.3 million (9.7%), and wholesale & retail trade: Birr 193.5 million (9.2%). The remaining balance went in aggregate to miscellaneous DTS, agriculture, and other small demonstration items. Loans under litigation had a share of 2.7% on the outstanding total loan balance.

Construction

Health sector

Import and Export

Loans and Advances by Type and Amount (Million Birr)



2. Branch network, Assets and Capital

2.1 Branch Network

At the close of fiscal year 2008/09, the Bank had a network of 48 branches, 23 of which were located in Addis Ababa. There is a coordination office for international money transfer partners that are operating under the Bank's agency in Ethiopia, and a forex bureau at Bole International Airport

A Branch Opening Ceremony

2.2 Assets

Assets include cash and bank deposit balances, fixed assets, suspense accounts, deferred charges, etc. Over the years, the asset of Wegagen Bank has been growing continuously and as at June 30, 2009, the Bank's total assets were Birr 5.1 billion. That was an increase by Birr one billion or 24.1% when compared with the preceding fiscal year (Birr 4.1 billion).

2.3 Capital

The total capital of the Bank which is comprised of paid-up capital, legal reserve, retained earnings and premium on share capital, Birr 836.4 million, showed an increase of Birr 231 million or 38.2% over the balance recorded during the preceding year (Birr 605.4 million). The shareholder base also increased from 902 to 1,222.

3. ICT Development

There are important projects that are ready for execution and/or close to implementation. They are:

- The modern payment card systems project composed of Automated Teller Machines and Point of Sale Terminals and VISA Cards;
- The Head Office building complex construction project, whose height is decided to increase from 12 to 20 storeys;
- Introducing a modern state-of-the-art technology core banking system replacing the existing.

Signing of Contract Agreement for the Acquisition of New Core Banking Solution

Visa Card Comming Soon

Information and communication technology provides quality and efficient technology-based services to increase efficiency and work for service excellence, and ultimately attain high returns and maintain them.

They should be able to assist in introducing system and technology that provides fully integrated online processing to increase service delivery channels and efficiency.

They could also help develop end-users' capabilities, putting in place strong IT security standards. They facilitate the use of new service products utilizing existing systems and employing additional features to enhance user conveniences and increase efficiency. Automation of workflow in a manner adaptable to changes in the organization and management and service quality improvement is another purpose.

4. Human Resource and Capacity Building

The Bank's human resource development strategy aims at hiring experienced and qualified staff, enhancing competence by improving the skills of new and existing staff, and developing a working environment that would create a sense of commitment and belongingness.

Training conducted on Service Excellence

The Bank's Management and Branch Managers Meeting

Competition for acquiring highly qualified bankers has intensified due to the increase in the number of branches of the different banks. Wegagen Bank has been attempting to attract qualified employees and retain the existing ones by offering good opportunities for career & skills development. Employment of fresh graduates and training them to work as bankers has continued as a strategy to produce own people and strengthen belongingness.

As of June 30, 2009, the number of employees of Wegagen Bank stood at 1,727 showing an increase of 19.1% over the preceding year (1,450). Wegagen Bank continued to create significant employment opportunities for a number of qualified people during the reference year.

Out of the total number of employees, 923 (53.4%) were semi-skilled and skilled professionals with compatible educational background such as degree graduates or with college diploma, while the number of support staff was 804 (46.6%) with different levels of education.

Composition of Permanent Staff

	Male	Female	Total	% Total
Semi-skilled and Skilled professionals	629	294	923	53.4
Support	552	252	804	46.6
Total	1,181	546	1,727	100
% Total	68.4	31.6	100	

Investment has been made as a continuous process in the training of the Bank's staff to improve their skills. During the fiscal year, training opportunities were provided to 904 employees. The trainings involved 91 managerial, 202 professional and semi-professional. 179 were Trainee bankers and all round bankers, 11 foreign (abroad) trainings were offered. The Bank will intensify training rigorously to upgrade staff skills, develop career and enhance capacity.

5. Risk Management

Banking business involves the management of multidimensional risks. Desired growth and overall success in banking basically rests with an understanding of these potential exposures to financial and non-financial downturns and their effective and sound management. The recent global financial crisis and the subsequent sectoral disaster that culminated in the massive world wide economic downturn is a living exemplar that demonstrated risk management should stand out to be a vital component of bank management.

Cognizant of these facts and fully aware of the significance of risk management function toward the fulfillment of the Bank's envisaged goals, Wegagen Bank has introduced the function shortly after its coming into business, and presently it is organized at a department level.

The Bank has put in place an appropriate risk management framework in terms of strategies, policies, and procedures which is already put to use in preparation of periodic risk management reports. Furthermore, the ground works for the establishment of an Asset-Liability Management Committee, also known as ALCO, have been finalized to ensure greater cooperation among functional units and realize a highly sought integrated risk management system.

6. Accounting Policy

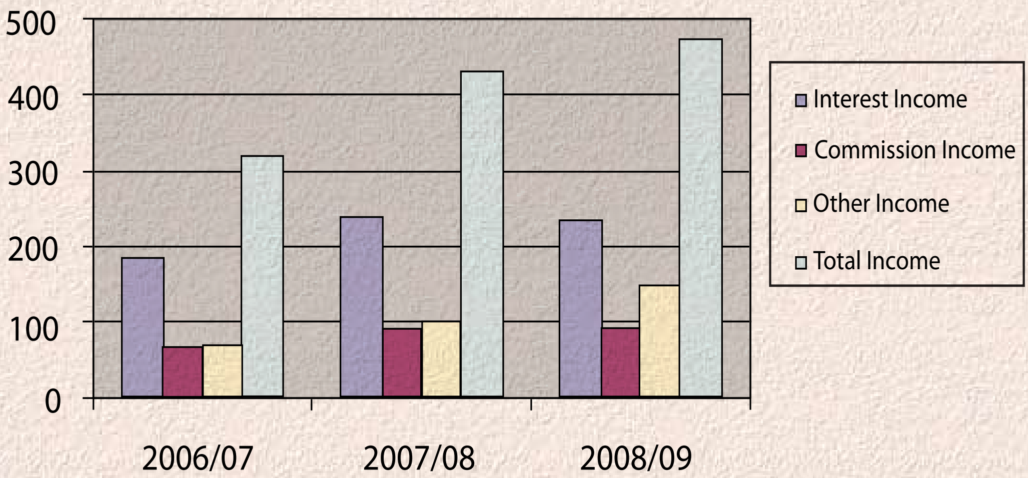
The Bank's accounting policy envisages the following:

- The Bank's assets, liabilities, capital, income and expense accounts are based on double entry booking system.
- The Bank uses the "accrual" system of accounting. This method recognizes transactions as they occur regardless of whether cash is paid or received. However, interests accruing on loans and advances referred to Legal are maintained under memorandum account and are recognized as income when collected. memorandum account and are recognized as income when collected.
- Depreciation rates are adhered to according to the existing taxation law.
- The Bank's financial year starts on the first of July and ends on June 30th of each calendar year.

7. Income, Expense, Profit and Loss Summary

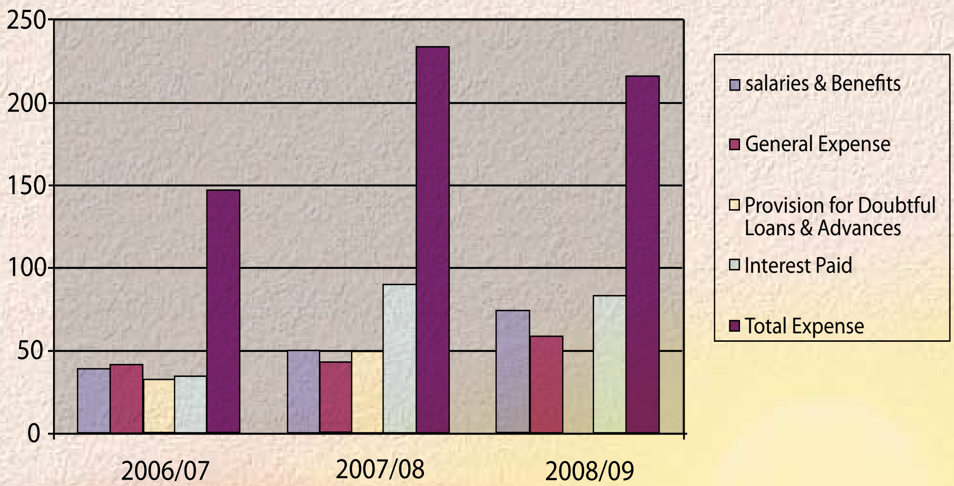
Income of the Bank grew from Birr 430.2 million in FY 2007/08 to Birr 472.2 million in FY 2008/09, an increase of Birr 42 million (9.8%). The following chart compares the income categories of the three most recent years.

Trends & Composition of Income (Million Birr)



Operating expenses (Birr 216.1 million) decreased against that of the preceding fiscal year (Birr 240.2 million) by Birr 24.1 million (10%). The chart below makes expense comparison of the most recent three consecutive fiscal years: 2006/07, 2007/08 and 2008/09.

Trends & Composition of Expenses (Million Birr)



The Bank's net profit before tax as at June 30, 2009 was Birr 256.1 million, reflecting a growth rate of 34.9% over the preceding year (Birr 190 million).

Getachew Kassaye & Co, Chartered
Certified Accountants
and
Authorised Auditors
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF WEGAGEN BANK SHARE COMPANY

1. We have audited the accompanying financial statements of Wegagen Bank Share Company (hereinafter referred to as the Bank) for the year ended June 30, 2009, set out on pages 3 to 22, which have been prepared under the accounting policies set out on page 7.

Directors' Responsibility for the Financial Statements

2. The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

Auditors' Responsibility

3. 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.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we considered internal control relevant to the 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 Bank's internal control. The 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

5. In our opinion, the financial statements represent fairly the financial position of the Bank as at June 30, 2009, and its profit and cash inflows for the year then ended and are prepared in accordance with International Financial Reporting Standards.

6. We have no comments to make on the report of the Board of Directors relating to the financial matters and pursuant to article 375(2) of the Commercial Code of Ethiopia of 1960; we recommend that the above menti oned financial statements be approved.

Addis Ababa
October 2, 2009

GETACHEW KASSAYE & Co,
Chartered Certified Accountants
and Authorized Auditors of
Wegagen Bank Share Company

WEGAGEN BANK SHARE COMPANY
BALANCE SHEET
AT 30 JUNE 2009

Currency : Ethiopian Birr

	Notes		2008
ASSETS			
Cash and bank balances with local banks	3,2h	1,953,689,386	785,096,919
Reserve with National Bank of Ethiopia (NBE)		528,388,527	393,388,527
Deposits with foreign banks	4,2g	433,470,784	624,911,230
Loans and advances	5,2d	1,983,747,131	2,207,928,130
Stock of supplies	6	10,334,237	10,370,787
Other assets	7	134,754,442	45,989,232
Deferred charges	2i	16,289,148	815,801
Leasehold land	2j	15,835,026	15,835,026
Property, plant and equipment	8,2e	41,802,778	40,556,241
Total assets		5,118,311,459	4,124,891,893
LIABILITIES			
Deposits from customers	9	3,550,855,857	2,567,876,386
Deposits from financial institutions	10	177,526,300	398,453,771
Other liabilities	11	251,652,599	228,878,979
Margin held on letters of credits		214,384,740	260,159,917
Provision for taxation	12	75,499,105	51,153,448
leasehold land payable		11,978,274	12,920,604
Total liabilities		4,281,896,875	3,519,443,105
CAPITAL AND RESERVES			
Paid up capital	13	517,618,000	370,825,000
Share premium	14	14,243,500	9,679,450
Legal reserve	15	153,482,102	108,331,515
Special reserve	16	15,619,220	12,484,693
Retained earnings	17	135,451,762	104,128,130
		836,414,584	605,448,788
Total capital, reserves and liabilities		5,118,311,459	4,124,891,893

Addis Ababa
October1, 2009

Sebhat Nega
Chairman of the Board of Directors

WEGAGEN BANK SHARE COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

	Notes		2008
INCOME			
Interest income	18,2f	233,543,954	238,242,127
Less: Interest expense	19	83,458,171	89,677,115
Net interest income		150,085,783	148,565,012
Fees and commission income	20,2f	90,186,237	90,625,922
Net gains from dealings in foreign currencies	2g	139,694,032	98,687,993
Other income	21	8,815,418	2,686,487
Net operating income		388,781,470	340,565,414
Provision for doubtful loans and advances	2d	-	(50,183,892)
Provision and direct write-off other than loans and advances		(2,901,000)	(2,285,574)
Net interest and other income after provision for doubtful debts		385,880,470	288,095,948
LESS:- EXPENSES			
Salaries and benefits		74,344,643	50,348,419
General and administrative expenses	22	49,701,732	43,097,034
Directors' fee	23	5,652,543	4,495,435
Audit fee		80,098	164,105
		129,779,016	98,104,993
PROFIT BEFORE TAXATION		256,101,454	189,990,955
LESS: PROVISION FOR TAXATION	12	75,499,105	51,153,448
NET PROFIT AFTER TAXATION		180,602,349	138,837,507
TRANSFER TO LEGAL RESERVE		45,150,587	34,709,377
"NET PROFIT AFTER TAX AND LEGAL RESERVE"		135,451,762	104,128,130
EARNING PER SHARE OF BIRR 1000	28	389	449

WEGAGEN BANK SHARE COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

	Paid up Capital Birr	Share Premium Birr	Legal Reserve Birr	Special Resereve Birr	Retained Earnings Birr	Total Birr
Balance at 1 July 2007	233,139,000	5,241,450	73,622,138	7,972,089	83,231,289	403,205,966
Dividend paid	--	--	--	--	(24,999,067)	(24,999,067)
Premium collected	--	4,438,000	--	--	(46,950)	4,391,050
Dividend capitalized	49,838,290	--	--	(7,972,089)	(41,866,201)	--
New shares issued	87,847,710	--	--	--	--	87,847,710
Net profit for the year	--	--	--	--	(138,837,507)	138,837,507
Transfer to special reserve	--	--	--	12,484,693	(12,484,693)	--
Transfer to dividend payable	--	--	--	--	(3,834,378)	--
Transfer to the legal reserve	--	--	34,709,377	--	(34,709,377)	--
Balance at 30 June 2007	370,825,000	9,679,450	108,331,515	12,484,693	104,128,130	605,448,788
Dividend paid	--	--	--	--	(39,743,117)	(39,743,117)
Premium collected	--	4,564,050	--	--	(37,060,950)	4,526,990
Dividend capitalized 2007/2008	57,831,003	--	--	(12,484,693)	(45,346,310)	--
Dividend capitalized 2006/2007	951,461	--	--	--	--	951,461
New shares issued	90,581,536	--	--	--	--	90,581,536
Net profit for the year	--	--	--	--	180,602,349	180,602,349
Transfer to special reserve	--	--	--	15,619,220	(15,619,220)	--
Transfer to dividend payable	--	--	--	--	(3,382,423)	(3,382,423)
Transfer to the legal reserve	--	--	45,150,587	--	(45,150,587)	--
Repayment of capital	(2,571,000)	--	--	--	--	(2,571,000)
Balance at 30 June 2009	517,618,000	14,243,500	153,482,102	15,619,220	135,451,762	836,414,584

WEGAGEN BANK SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

	BIRR	BIRR
CASH IN FLOW FROM OPERATING ACTIVITIES:		
Profit before taxation		256,101,454
Dpreciation		8,936,864
Adjustment on fixed assets		21,281
Operating profit before working capital changes		265,059,599
Decrease in stocks of supplies		36,550
increase in other assets		(88,765,210)
Decrease in loans and advances		(224,180,999)
increase in deposit from customers		982,979,471
Decrease in deposits from financial institution		(220,927,471)
Decrease in margin held on letter of credits		(45,775,177)
Increase in other liabilities		22,773,620
Dividend transferred to liability		2,213,163
Deease in leasehold payable		(942,330)
		1,140,833,214
Net cash In Flow from Operating Activities		1,140,833,214
INVESTING ACTIVITIES		
Acquisition of fixed assets	10,204,682	
Acquisition of leasehold land	15,473,347	
		(25,678,029)
TAXATION		
Profit tax paid		(51,153,448)
FINANCING ACTIVITIES		
New shaes issued	90,581,536	
Cash and cash equivalents at end of the year	(2,571,000)	
Premium collected	4,526,990	
Equity dividend paid	(44,387,242	
		48,150,284
Net Increase In Cash and Cash Equivalents:		1,112,152,021

	Cash Balances 30/06/08 Birr	Cash Balances 30/06/08 Birr	Cash Balances 30/06/08 Birr
Cash and bank balance with local banks	785,096,919	1,168,592,467	1,953,689,386
Reserve with National Bank of Ethiopia	393,388,527	135,000,000	528,388,527
Cash with foreign banks	624,911,230	(191,440,446)	433,470,784
	1,803,396,676	1.112,152,021	2,915,548,697

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

1 BACKGROUND

Wegagen Bank S. Co. was formed in Ethiopia in 1997 and is registered as a public share holding Company in accordance with the provision of the licensing and supervision of Banking Business Proclamation No. 84/94 and the Commercial Code of Ethiopia 1960. The Bank had a network of 53 branches through out the country and office for international money transfer companies operating under the Bank's agency in Ethiopia.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank, which are consistent with those applied in the preceding year, are stated below.

a Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board.

b Basis of preparation

The financial statements are prepared on historical cost basis. Financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost, except for foreign currencies which are stated at closing exchange rate.

The Bank has consistently applied the accounting policies used in the previous years.

c Financial instruments

I) Classification

A financial instrument is any contract that gives rise to a financial asset for the bank and a financial liability or equity instrument of another party. All assets and liabilities in the balance sheet are financial instruments except fixed assets, deferred charges and shareholders equity.

The major financial instruments of the bank are loans and advances created by the Bank providing money to debtors. Loans and advances comprise deposits and other balances due from banks and loans and advances to customers. customers.

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

ii) Recognition of financial instruments

The bank initially recognizes financial assets and liabilities on its balance sheet on the date it becomes a party to the contractual provisions of the instrument. Any gains and losses arising from changes in value of the asset are recognized from this date. When the Bank becomes a party to the contractual terms comprising a loan and as a consequence has the legal right to receive principal and interest payments on the loan, it controls the economic benefits associated with the loan. Normally, a bank becomes a party to the contractual provisions that comprise a loan (i.e., acquires legal ownership of the loan) on the date of the advance of funds or payment to third party. As a result, a commitment to lend funds is not recognized as an asset on the balance sheet.

iii) Derecognizing of financial instruments

All financial assets are de-recognized when the Bank loses control over the contractual rights that comprise the assets. This occurs when the rights are realized, expired or are surrendered. A financial liability is de-recognized when it is extinguished.

iv) Measurement of financial instruments

The Bank measures all financial instruments initially at cost, including transaction costs.

d Loans and advances

Loans and advances are financial instruments originated by the Bank by providing money to the debtors. The loans and advances are stated at cost less impairment losses. Impairment losses comprise specific provisions against debts identified as bad and doubtful and general provisions against losses which are likely to be present in any loans and advances portfolio. The Bank follows the National Bank of Ethiopia Supervision of Banking Business Directive SBB/43/2008 in determining the extent of provisions for impairment losses.

The Directive classifies loans and advances into the following: -

(i) Pass loans

Loans and advances in this category are fully protected by the current

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

financial and paying capacity of the borrower and are not subject to criticism. In general, loans and advances, which are fully secured, both as to principal and interest, by cash or cash substitutes, are classified under this category regardless of past due status or other adverse credit factors.

(ii) Special mention

Any loan or advance past due 30 days or more, but less than 90 days is classified under this category.

(iii) Substandard

Non-performing loans or advances past due 90 days or more but less than 180 days is classified under this category.

(iv) Doubtful

Non-performing loans or advances past due 180 days or more but less than 360 days is classified as doubtful.

(v) Loss

Non-performing loans or advances past due 360 days is classified as loss. As per this directive, the provision for impairment losses is determined as follows:

Loan Category	Extent of Provision Required
1 Pass loans	1% of outstanding loan balances
2 Special mention loans	3% of the outstanding loan balances
3 Substandard loans	20% of the net loan balance
4 Doubtful loans	50% of the net loan balance
5 Loss loans	100% of the net loan balance

Note

Net loan balance is outstanding loan balance less net recovery value of collaterals.

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

e Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	%
Vehicle	20
Furniture, fittings & equipment	10
Computers	10
Building	5
Acquired property	5

For profit tax purpose, necessary adjustments are made to comply with the income tax proclamation 286/2002. (Note 12)

f Revenue recognition

Interest income and expense in the income statement are recognized on accrual basis. However, interest accruing on loans and advances referred to legal counsel including substandard, doubtful and loss loan categories are maintained under memorandum account and are recognized as income when collected.

Fee and commission income arises on financial services provided by the bank and are recognized as income when the services are provided to customers.

g Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets denominated in foreign currencies, which are stated at historical cost, are translated at the exchange rates ruling at June 30, 2009. Foreign exchange differences arising on translation are recognized in the income statement.

h Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balance with the national Bank of Ethiopia, domestic and foreign banks payable on demand.

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

i Defered Charges

Deferred charges represents expenses incurred for the establishment of Card Payment System Project & Core Banking & Data Migration Project.

j Leasehold Land

The bank has acquired 2,254 sq. km lease hold land from Addis Ababa City Administration for the period of 90 years.

K Assets awaiting for resale

Collaterals seized or foreclosed by the bank are classified as asset awaiting for resale if their carrying amount will be received principally through a sale transaction rather then continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management is committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3 CASH AND BANK BALANCES

	Birr	2008 /Birr/
Cash on hand	318,461,235	218,463,936
Deposits with domestic banks	270,900,271	115,179,550
NBE- payment and settlement account	1,364,327,880	451,453,433
	1,953,689,386	785,096,919

4 DEPOSITS WITH FOREIGN BANKS

Correspondant account	139,735,784	182,938,630
Fixed deposits	293,735,000	441,972,600
	433,470,784	624,911,230

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

5 LOANS AND ADVANCES

a) The loans and advances are due as follows:-

Loans and advances due		2008 /Birr/
Within 12 months	1,054,138,267	1,310,853,167
After 12 months but within 24 months	405,811,102	257,522,056
After 24 months	595,822,630	698,877,564
	2,055,771,999	2,267,252,787
Add: Loans under litigation	56,609,077	79526,331
	2,346,779,118	2,155,147,821
Less: Provision for doubtful loans and advances	128,633,945	138,850,988
	1,983,747,131	2,207,928,130

b) The composition of loans and advances by sector is as follows:

Agriculture	34,522,811	23,081,472
Building construction	69,545,926	78,249,782
Manufacturing	261,623,755	256,453,423
Hotel and tourism	21,159,147	19,778,274
Wholesale and retail	171,791,876	206,587,038
Health services	3,484,173	4,918,744
Transport vehicle	196,283,699	276,120,630
Miscellaneous domestic trade	81,093,748	93,276,291
Advance against export bills	14,398,969	23,966,802
Advance against import bills	10,769,982	41,305,354
Staff loans	7,712,819	16,333,607
Consumer loans	313,853	448,696
Automobile loans	15,832,119	23,172,059
Export	187,024,069	245,545,975
Import	414,690,038	473,965,880
Construction bridge loans	148,368,326	175,373,062
Mortgage loans	54,847,928	30,325,612
Transport loans	11,942,070	19,620,996
Merchandize loans	-	4,900,623
Personal loans	7,654,003	3,131,744
Revolving export credit	321,325,691	250,696,723
Loans under litigation	56,609,077	79,526,331
Special staff loans	21,386,997	-
	2,112,381,076	2,346,779,118
Less: Provision for doubtful loans and advances	(128,633,945)	(138,850,988)
	1,983,747,131	2,060,606,572

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

6 STOCK OF SUPPLIES

	Birr	2008/Birr
Negotiable instrument	1,427,489	1,464,069
Check books	1,378,625	1,459,849
Stationary	812,757	846,031
Bank forms	536,754	534,632
Travelers cheque	679,299	1,925,370
Memorial coins	1,148,200	1,148,200
Fixed assets in store	4,093,513	2,750,180
Others	257,600	242,456
	10,334,237	10,370,787

7 OTHER ASSETS

Payment and deposit	43,737,110	28,957,661
Receivable from NBE	22,645,676	1,808
Staff receivables	16,980	45,051
Accrued income receivables	235,281	707,209
Receivable from African Insurance	746,991	750,968
Assets awaiting for resale	12,850,170	19,681,912
Receivable from Dehabshil MTC	54,227,945	-
Receivable from Amal Express	2,304,690	-
Receivable from branches under formation	4,774,044	-
Others	23,467	86,787
	141,562,354	50,231,396
Less: Provision for bad debts	6,807,912	4,242,164
	134,754,442	45,989,232

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

8 PROPERTY, PLANT AND EQUIPMENT

	Balance 01/07/08 Birr	Additions Birr	Adjustments Birr	Balance 30/06/09 Birr
COST				
Premises	928,084	110,741	--	1,038,825
Motor vehicles	30,923,221	1,311,764	--	32,234,985
Computers and accessories	16,078,202	2,111,994	--	18,190,196
Office and other equipment	10,946,554	3,378,054	(23,000)	14,304,608
Office furniture and fittings	14,582,691	1,748,912	--	16,331,603
Acquired property	47,489	574,277	--	621,766
Construction in progress				
- Mekele	930,100	593,447	--	1,523,547
- Head office	548,156	375,493	--	923,649
	74,987,497	10,204,682	(23,000)	85,169,179
DEPRECIATION				
Premises	304,865	50,557	--	355,422
Motor vehicles	16,861,685	4,864,612		21,726,297
Computers and accessories	6,394,815	1,639,698	--	8,034,513
Office and other equipment	3,914,155	1,179,246	(1,719)	5,091,682
Office furniture and fittings	6,953,161	1,200,377		8,153,538
Acquired property	2,575	2,374	--	4,949
	34,431,256	8,936,864	(1,719)	43,366,401
NET BOOK VALUE	40,556,241			41,802,778

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

9 DEPOSITS FROM CUSTOMERS

Payable on Demand	Birr	2008/Birr/
Private sector	1,661,924,848	1,09-6,284,543
Public agencies and enterprises	872,939	1,665,700
Regional government	3,955	3,955
Cooperatives and associations	5,721,223	3,857,821
Non-resident accounts	21,001,775	10,801,206
Resident forign currency account	12,534,160	9,519,407
Zero balance account	1,969,504	1,005,671
Special demand deposits	136,434,443	64,190,364
ECX paying and settlement account	5,432,043	--
	1,849,505,143	1,187,328,667
Savings Deposits		
Private sector	1,415,775,659	1,003,930,133
Co-operative	72,901,394	69,348,150
NOW accounts	17,417,553	10,039,282
Children trust fund	914,515	610,522
Special saving	2,425	2,335
Public enterprises	5,146,046	10,177,373
	1,512,157,592	1,094,107,795
Term Deposits		
Private sector	6,303,902	43,159,137
Public enterprises	182,889,220	243,280,787
	189,193,122	286,439,924
	3,550,855,857	2,567,876,386

10 DEPOSIT FROM FINANCIAL INSTITUITIONS

Payable on demand	20,697,756	3,668,354
Savings deposits	5,824,476	1,313,627
Fixed time deposits	151,004,068	393,471,790
	177,526,300	398,453,771

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

11 OTHER LIABILITIES

		2008
Cashier payment order	146,863,644	126,157,007
Blocked current account	2,584,556	3,574,632
Unearned revenue	8,119,224	6,469,083
"Accrued interest on savings and deposit accounts"	12,687,952	13,941,487
Provision for annual leave	5,976,860	4,209,654
Local transfer payable	20,281,155	18,359,902
Provision for bonues	6,934,335	4,148,125
Exchange commission	25,250,898	17,175,854
Deposit for guarantees issued	2,208,800	1,158,076
Taxes and stamp duty charges	47,428	97,537
Miscellaneous payables	8,206,603	19,313,374
Dividend payable	3,382,423	5,595,586
Saving account -block	464,000	--
Foreign transfer payable	1,228,844	2,545,266
Inter-branch balances	118,264	99,136
Gurantee fee payable	1,819,070	1,754,916
Directors fee payable	5,478,543	4,279,344
	251,652,599	228,878,979

12 PROVISION FOR TAXATION

Balance at 1 July 2008	51,153,448
Less: Payments	51,153,448
	--
Profit before tax	256,101,454
Add: None allowable deductions	
Depreciation in accordance with accounting policy	8,936,865
Prior years adjustment - pooling method	105,470
provision made during the year other than loan & advances	2,630,151

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

Less: Allowable expenses	
Depreciation in accordance with tax proclamation 286/2002	8,636,220
Interest on deposit with foreign banks	7,467,854
Loans written of prior to Dir. No. SBB32/2002	6,183
Taxable Profit	251,663,683
Provision for profit tax@(30%)	75,499,105

13 PAID CAPITAL

Balance as at July 1, 2008	370,825,000
Add: New shares issued	90,581,536
Capitalized dividend	58,782,464
Less: Capital repayment	2,571,000
	517,618,000

14 SHARE PREMIUM

Balance as at July 1, 2008	9,679,450
Add: Premium on New shares issued	4,526,990
Premium on Capitalized dividend	37,060
	14,243,500

15 LEGAL RESERVE

a) The detail is as follows

Balance as at July 1, 2008	108,331,515
Add: Transfer from Retained Earnings	45,150,587
	153,482,102

b) 25% of the net profit after taxation is transferred to legal reserve account until the balance reaches the paid up capital in accordance with Proclamation No. 592/2008 article 19(1) of the Licensing and Supervision of Banking .

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

16 SPECIAL RESERVE

a) The detail is as follows	
Balance as at July 1, 2008	12,484,693
Less: Capitalized dividend	12,484,693
Add: Transfer from Retained Earnings	15,619,220
	15,619,220

b) The balance represents 15 % of retained earnings of the previous fiscal year set aside in accordance with the decision of the shareholders.

17 RETAINED EARNINGS

Balance as at July 1 , 2008	104,128,130
Less: Transfer to special Reserve	15,619,220
Capitalized dividend	45,346,310
Capitalized Premium on dividend	37,060
Dividend paid on cash	39,743,117
Dividend transferred to liability	3,382,423
Add: Net profit for the year	135,451,762
	135,451,762

18 INTEREST INCOME

Interest on loans and advances	226,076,100	217,282,862
Interest on deposits with foreign banks	7,467,854	20,959,265
	233,543,954	238,242,127

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

19 INTEREST EXPENSE

		2008
Savings deposits	44,740,380	30,812,891
Fixed time deposits	33,149,391	50,338,240
Special demand deposit	5,568,400	8,458,351
Short term loans	-	67,633
	83,458,171	89,677,115

20 COMMISSION, FEES AND CHARGES

Letter of credit	46,452,724	48,399,610
Letter of guarantees issued	25,583,351	25,137,030
Local transfer and others	18,150,162	17,089,282
	90,186,237	90,625,922

21 OTHER INCOME

Rebet	385,617	272,960
Swift charge	940,369	850,635
Rent	53,910	58,282
Gain on disposal of fixed assets	--	667,146
Provision for doubtful loans, Advances	4,111,787	--
Gain on disposal of acquired assets	2,130,717	--
Cash surplus	75,371	74,119
Estimation fee	206,130	245,244
Corresponden charges	68,009	--
Sundries	911,337	450,092
	837,464	455,547

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

22 GENERAL AND ADMINISTRATIVE EXPENSES

		2008
Office rent	15,810,205	14,331,059
Stationery and printing	3,140,195	2,572,024
Communications	5,508,251	4,953,776
Fuel and lubricants	1,728,791	1,401,036
IT support charges	597,343	551,529
Advertising and publicity	2,138,499	1,964,780
Repair and maintenance	1,632,585	1,210,750
Insurance	2,149,628	2,337,115
Electricity and water	585,933	561,968
Membership subscription	324,836	288,111
Entertainment	214,085	186,883
Wages	119,649	101,113
Inauguration	58,321	54,677
Depreciation	8,936,865	7,852,935
Cleaning supplies	233,755	170,784
Transportation	1,234,337	1,019,002
Gust house expense	12,706	9,328
License and inspection fee	10,050	6,050
Perdiem	526,865	618,452
Leased line for computerization	1,463,477	1,483,144
Renovation	--	8,166
Sundries	3,275,356	1,414,352
	49,701,732	43,097,034

23 DIRECTORS' FEE

a) The detail is as follows

Board meeting allowance	174,000	216,091
Profit sharing -5%	5,478,543	4,279,344
	5,652,543	4,495,435

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

b) Directors fees applicable to the year under review was computed at 5% of profit after tax, legal reserves and special deductions amounting to 5% of the paid up capital that is reported as an appropriation of retained earnings. The directors' fees are subject to approval of the shareholders for disbursement.

24 CONTINGENT LIABILITIES AND COMMITMENTS

a) Contingent liabilities represent credit-related commitments to extend letter of credit, guarantees and of outward bill collections sight contracts which are designed to meet the requirements of the Bank's customers toward third parties. Commitments represent the Bank's approved but unutilized facilities and other commitments of the Bank.

Contingent Liabilities			2008
Letter of credit	(Note (c))	452,830,212	617,402,880
Bank guarantee	(Note (c))	801,130,502	590,908,830
		1,253,960,714	1,208,311,710
Commitments			
Undrawn loans and advances approved but not disbursed		100,529,469	94,352,664
Unutilized merchandise revolving facility and unutilized advance against export bills		103,800,583	63,031,954
Unutilized overdraft facility		180,624,691	154,189,435

c) The bank has a lien on the goods imported through letter of credit as the suppliers are required to send shipping documents directly to the Bank.

d) The risk exposure involved in connection with the performance guarantees issued is managed in the following manner. The bank has held collaterals and letters of undertaking in respect of most guarantees issued to its customers;

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Currency : Ethiopian Birr

25 MATURITIES OF ASSETS AND LIABILITIES

a) The detail is as follow

	Total 6 months	Less than to one year	From 6 months one year	Over one year
Assets				
Cash and bank balances	2,915,548,697	2,915,548,697	--	--
Loans and advances	1,983,747,131	--	1,054,138,267	929,608,864
Other assets and stock supplies	145,088,679	--	145,088,679	--
Deferred charges	16,289,148	--	--	16,289,148
Leasehold land	15,835,026	--	--	15,835,026
Fixed assets	41,802,778	--	--	41,802,778
Total assets	5,118,311,459	2,915,548,697	1,199,226,946	1,003,535,816

Liabilities and Shareholders' Funds

Customers' deposits	3,550,885,857	3,550,855,857	--	--
Deposit in financial institutions	177,526,300	--	177,526,300	--
Other liabilities	251,652,599	251,652,599	--	--
Margin held	214,384,740	214,384,740	--	--
Leasehold and payable	11,978,274	--	913,186	11,065,088
Profit tax payable	75,499,105	75,499,105	--	--
Shareholders' funds	836,414,584	--	--	836,414,584
Total liabilities and shareholders' funds	5,118,311,459	4,092,392,301	178,439,486	847,479,672

b) The analysis reflects the contractual maturities of assets and liabilities, which have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. In the case of assets and liabilities that do not have

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a contractual maturity date, the period in which these are assumed to mature is taken as the expected date of maturity.

26 RELATED PARTY TRANSACTIONS

a) The significant balances and transactions included in the financial statements are indicated as:-

		2008
Loans and advances at June 30,2009	84,869,349	129,408,987
Customers' deposits at June 30,2009	169,841,649	156,092,376
"Guarantees issued/Contingent liabilities"	--	7,098,701
Interest income for the year	23,766,267	6,004,622
Interest expense for the year	322,577	1,400,523

b) These represent transactions with certain related parties with major shareholders of the bank or directors who have control over decision of the bank. The terms of these transactions were approved by the bank's management on agreed terms.

25 RISK MANAGEMENT

This note provides details of the Bank's exposure to risk and describes the methods used by management to manage such risk. The most important types of financial risks to which the Bank is exposed are credit risk, liquidity risk, foreign exchange risk, interest rate risk and operational risk.

Credit Risk

Credit risk, both on and off balance sheet, is managed and monitored in accordance with defined credit policies and procedures. The credit worthiness of each counterpart is evaluated and appropriate credit limits are established. To reduce individual counter party credit risk the Bank ensures, whenever necessary, that all loans are secured by acceptable forms of collateral. Although the bank has not yet established credit limits across industries and products, it regularly reviews its credit exposure. The bank loans

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are diversified against various sectors as shown in Note 5 to the financial statements.

Liquidity Risk

Liquidity risk arises in the general funding activities of the Bank and the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in appropriate time frame. The Bank has a reasonable funding base. Funds are raised mainly from customers' deposits. The maturity profile is monitored by management to ensure adequate liquidity is maintained. Note 25 to the financial statements analyses the contractual maturities of assets and liabilities. These have been determined on the basis of the remaining period to maturity as at the balance sheet date but do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds.

Foreign Exchange Risk

Foreign exchange risks are controlled by maintaining major currencies whose exchange rate against the reporting currency has always been appreciating. The bank settles foreign exchange transactions of customers at the exchange rate ruling on the date of the transactions. Hence, the customers bear the cost of the increase in the exchange rates.

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows will fluctuate because changes in the market interest rate. The bank often revises its lending rate across segments of the credit portfolio based on changes in the cost of fund, reserve requirement and the perceived risk in each credit portfolio segment to keep the overall profitability. This risk is managed by including a variable interest rate clause in the loans and advances contracts with customers.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal process and systems), fraud, malpractices or external events. The bank manages its operational risk through implementation sound policies, procedures and staff training on proper

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implementation of operational manuals by the operational units. Additionally the bank has strong oversight and supervision and internal control function. Besides, preparations are underway to start IT system and management audit and to strengthen operational risk management framework.

28 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit after tax but before legal reserve amounting to Birr 180,602,349 (2008: Birr 138,837,507) by the weighted average number of shares outstanding during the year of 464,089 (2008: 308,943)

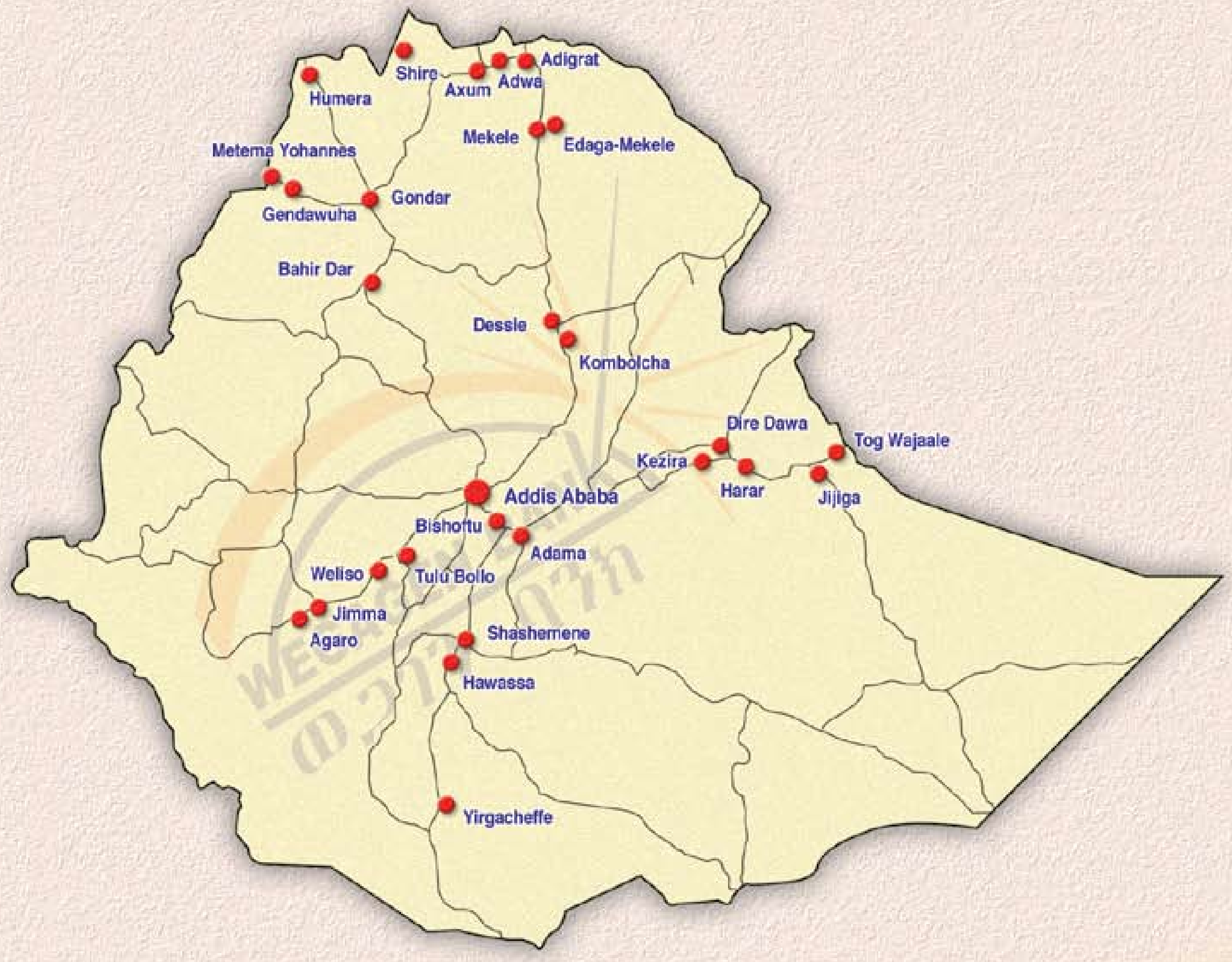
29 MEMORANDUM ACCOUNTS

		2008
"Loans and advances written off, kept in memorandum account"	48,830,986	37,325,298
Interest on non performing loans	16,086,553	15,580,291
IBC- acceptance and sight	35,516,207	79,247,347
OBC- own branches and other bank's city clearance	32,031,131	3,408,688
Outward document bills for collection-Sight	3,166,698	23,476,495
OBC-foreign	684,554	351,860
Stock of parts and travelers cheque	444,093	459,212
Money bags	9,593	7,254
Uncollected penalty charges on bounced checks	115,718	57,534

30 COMPARATIVE FIGURES

Some of the previous year comparative figures have been rearranged in order to facilitate comparison.

Branch Network Distribution *



*** Note: At Fiscal Year's end there were 22 Branches in Addis Ababa**

WEGAGEN BANK, S.C.
Head Office & Addis Ababa Branches' Addresses

	Telephone	Fax	P.O.Box
Head Office	251-11-552 38 00	251-11-552 35 20/21	1018
Beklobet Branch	251-11-466 35 88 / 466 35 80/81	251-11-466 36 08	101841
Gerji Branch	251-11-629 81 41/14/35 / 629 82 37/38	251-11-629 71 49	737/1110
Goffa Branch	251-11-465 58 16/17 / 466 57 39/40/41	251-11-465 48 79	56810
Habtegiorgis Branch	251-11-157 84 96/97/98 / 111 29 70/73/72	251-11-157 84 99	24157
Abakoran Branch	251-11-278 11 77/76/79/81/82 / 654 69 32/42	251-11-278 11 46	51171
Bole Branch	251-11-552 35 24/553 95 68 / 552 48 28/08/18	251-11-552 44 55	1062 / 1110
Arada Branch	251-11-111 10 61/74/75/78/79	251-11-111 16 76	1018
Africa Union Branch	251-11-554 70 61/63 / 554 71 34/35	251-11-554 70 62	43186
Merkato Branch	251-11-275 28 67/275 21 19 / 276 12 44	251-11-275 27 99	180500
Messalemia Branch	251-11-276 51 54 / 276 86 11 / 213 01 71	251-11-276 51 42	26661
Airport Forex Bureau	251-11-665 84 76		1018
Wuhalimat Area Branch	251-11-662 51 46/47 / 663 15 18/17	251-11-662 51 50	17020
Africa Avenue Branch	251-11-662 47 72/63/69 / 663 77 40	251-11-662 47 70	1018
Teklehaimanot Branch	251-11-156 38 12/13/15/14 / 156 81 18	251-11-156 38 11	56734
Meskel Branch	251-11-551 66 52/551 27 28 / 551 47 99/87	251-11-551 68 34	27571/1000
Kaliti Branch	251-11-439 42 85/6/7/8 / 439 25 08	251-11-439 42 84	180
ILRI Branch	251-11-645 97 52/53	251-11-439 42 84	1018
Weyrabethel Area Branch	251-11-349 53 08 / 349 27 53	251-11-349 55 36	1018
Bole Medanialem Branch	251-11-661 61 33/ 34/35/36/37 / 655 35 13	251-11-663 89 68	713/1250
CMC Area Branch	251-11-647 90 43/44/45/46/47	251-11-647 90 48	1018
Abinet Area Branch	251-11-278 05 44/71/80/90/72	251-11-728 05 51	1018
Sebara Babur Area Branch	251-11-157 03 29/157 04 25	251-11-157 00 04	20493
Kazanchis Branch	251-11- 554 56 66/71/72	251-11-154 56 65	1018
Welosefer Area Branch	251-11- 466 80 06/93/54	251-11- 466 80 98	1018
Military Tera Branch			1018

International Money Transfer Coordinating Office

Addis Ababa	251-11-663 22 74 / 663 16 17

WEGAGEN BANK, S.C.
Outlying Branches' Addresses

	Telephone	Fax	P.O.Box
Adama Branch	251-22-112 60 72/112 61 61 /111 90 55 /86 09/ 110 05 24	251-22-112 60 70	1900
Adwa Branch	251-34-771 40 43/44/45/46	251-34-771 40 47	105
Axum Branch	251-34-775 34 39 / 775 36 31/95/96	251-34-775 34 80	277
Bahir Dar Branch	251-58-220 20 38/39 / 220 44 90	251-58-220 20 37	1125
Agaro Branch	251-47-221 10 31/51 / 221 13 21	251-47-221 14 99	404
Gondar Branch	251-58-111 48 15/058111 46 50	251-58 111 46 20	2
Dire Dawa Branch	251-25-111 08 27 / 113 01 55/025 111 11 01	251-25 111 08 41	107
Weliso Branch	251-11-341 16 17/341 19 84 / 341 16 13/15/17	251-11-341 01 87	415
Jijiga Branch	251-25-775 20 57 / 775 31 87	251-25-775 20 59	491
Hawassa Branch	251-46-220 26 29 / 220 41 72	251-46-220 54 80	723
Shire Branch	251-34-444 21 65 / 444 24 24/1922	251-34-444 22 29	116
Dessie Branch	251-33-111 37 88/89/91/92	251-33-111 37 90	1277
Edaga Mekele Branch	251-34-441 36 66/22/89/48	251-34-441 37 48	1090
Kombolcha Branch	251-33-551 07 53 / 551 07 54	251-33-551 03 23	332
Humera Branch	251-34-448 00 05/07/68	251-34-448 00 06	38
Gendawuha Branch	251-58-331 00 09 / 058 337 00 10	251-58-331 00 10	19
Mekelle Branch	251-34-440 89 33/34 / 440 94 50/51	251-34-440 32 69	930
Shashemene Branch	251-46-110 34 66/67/68	251-46-110 34 69	623
Harar Branch	251-25-666 46 22 / 666 36 23	251-25-666 98 19	1434
Tog Wajaale Branch	251-25-882 00 32/33	251-25-882 00 34	1301
Yirgachefe Branch	251-46-332 05 53 / 332 04 10	251-46-332 05 52	118
Tulu Bollo Branch	251-11-342-04 96 / 342 00 64/57	251-11-342 00 65	15
Adigrat Branch	251-34-445 28 66 / 445 27 90	251-34-445 27 45	237
Metema Yohannes Branch	251-58-231 11 38/39	251-58-331 02 78	C/o Jijiga
Kezira Branch - Dire Dawa	251-25-113 03 71/72	251-25-113 04 12	C/o Dire dawa
Bishoftu Branch	251-11-437 10 62/25	251-11-437 10 10	1721
Jimma Abajifar Branch			

Wegagen Bank

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