



WEGAGEN BANK, s. c.

2010/11 Annual Report



Your Partner in Development



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VISION

“To become the most preferred bank in Ethiopia”

MISSION

“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 services;
- 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.

THE MANAGEMENT TEAM



Kewser Rashid
V/P - Operations



Araya G/Egziabher
President/CEO



Woldegebriel Wedajo
V/P - Support Services



Kahsay Fiseha
*Manager, Domestic Banking
Department*



Enyew Tadele
*Manager, Finance and Treasury
Department*



Demas Zewdu
*Manager, Corporate Planning
Department*



Dawit Teferra
Manager, IS Department



Wonde Wodaje
Manager, IBD



Gebru Meshesha
Manager, Marketing Department



Abdella Sultan
*Manager, Admin & HRD
Department*



G/Giorgis Hailu
*Manager, Risk Management
Department*



Yehuwalashet Zewdu
Manager, Control Department



Addis W/Cherkos
Manager, Credit Department



Kefene Gurmu
Manager, Legal Department



Tesfaye H/Michael
Manager, Engineering Service

Statement of the Chairman of the Board

It gives me a great pleasure to present, on behalf of the Board of Directors, the annual report of Wegagen Bank for the fiscal year ended 30th June 2011.

The fiscal year started off well at global level. Driven by strong Asian economies, economic activity revived from the financial turmoil that reached its trough in 2009. But that was immediately reverted due to the sovereign debt crises in the euro area, the earth quake and tsunami in Japan and the political crises in the Middle East and North African (MENA) countries. The surge in global inflation due to the rise in prices of oil and food items was also a notable challenging situation. For the banking sector, the challenge outturns via their implication to foreign currency earning and international banking activities.

The performance of the Ethiopian economy during the fiscal year was commendable. Enhanced foreign currency reserve of the country due to the expansion of external trade stimulated international banking activities. The lifting of the credit cap, in its part, signaled improvement of the credit level of our Bank. On the downside, galloping inflation triggered by both external and internal factors posed a serious setback. The instruction of NBE to private banks to offer 27% of their loans disbursed to purchase NBE Bills at an interest rate of just 3% was also a notable constraint on the profitability and efficiency optimization of banks, including ours.

Yet, despite the challenges and the increasing competition in the financial sector, Wegagen Bank was able to take advantage of the macroeconomic trends and leverage growth opportunities by capitalizing on its strengths and maintaining focus and speed to achieve set targets through operational and cost synergies. Accordingly, the Bank recorded a commendable operating profit of Birr 458.1 million, an increase of 44.3% from Birr 317.5 million during the preceding fiscal year which was also enhanced due to advantageous trade finance, huge currency devaluation in September 2010 and more efficient cost management in the Bank.

The Bank's total assets as of 30th June 2011 increased considerably to Birr 8.06 billion compared with Birr 5.74 billion of the previous fiscal year. Loans and advances to the private sector amounted to Birr 2.91 billion, Birr 436.2 million (17.6%) larger than the preceding period. The lifting of the credit cap early in the fourth quarter is the main reason for the stated upward growth. The quality of our credit portfolio has also substantially improved.

The corresponding shareholders' equity amounted to Birr 1.34 billion (including retained earnings) after having made an appropriate provision for non-performing assets. This has contributed to having a sufficiently high capital adequacy.

Total deposits increased by over Birr 2.03 billion (51.9%) over the preceding year's Birr 3.92 billion and reached close to Birr 5.96 billion at the year end. In order to enhance the deposit mobilization effort and to strengthen the Bank's customer base, four new branches were opened during the fiscal year totaling the number of branches to 54.

To live up to the expectations of our customers and to remain competent in the growing financial sector, we have been working on different projects. The new core banking system was successfully instituted and became operational. Pertaining to the card business whose project took off earlier, ATMs were installed in many of our branches and core merchant destinations and the number of card holders is increasing over time. Expansion of our ATM network into viable sites and assignment of PoS terminals at merchant sites will continue to serve the increasing demand of our customers for modern banking services. Pre-construction processes already completed, the construction of the head office building, which is expected to address the rising rental costs, shall be completed in three and half years. Initiative has also been taken to avail additional products and services to esteemed customers using state-of-the-art banking technologies that are being implemented.

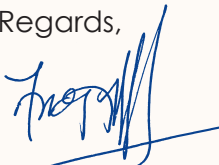
Behind all these commendable records lie a performance culture that guides our activities and our drive to deliver stable and sustainable income growth in a prudent manner. This core objective is strongly underpinned by operational excellence, quality of service, cost efficiencies and risk assessment capabilities.

Looking ahead, the promising prospect of national macroeconomic developments: rising aggregate demand, though at slow pace; increasing inflow of remittances; growing revenue from export; improving banking habit of the society; emergence of various financing schemes; etc will have a cumulative effect of further enhancing the performance of the Bank. Anticipating the ongoing effort to curb inflation will become successful and national savings and exports would be enhanced, the income and profitability of the banking business will maintain its growth momentum.

To tackle the challenges and capitalize on the opportunities that lie ahead, a clear strategic direction is indicated in the nascent five year strategic plan amended for FY 2011/12 – FY 2015/16. Activities to rectify our weaknesses and further our strengths are underway. In the subsequent periods, we will be committed to strengthen these efforts to leap forward to our vision of "Becoming the Most Preferred Bank in Ethiopia".

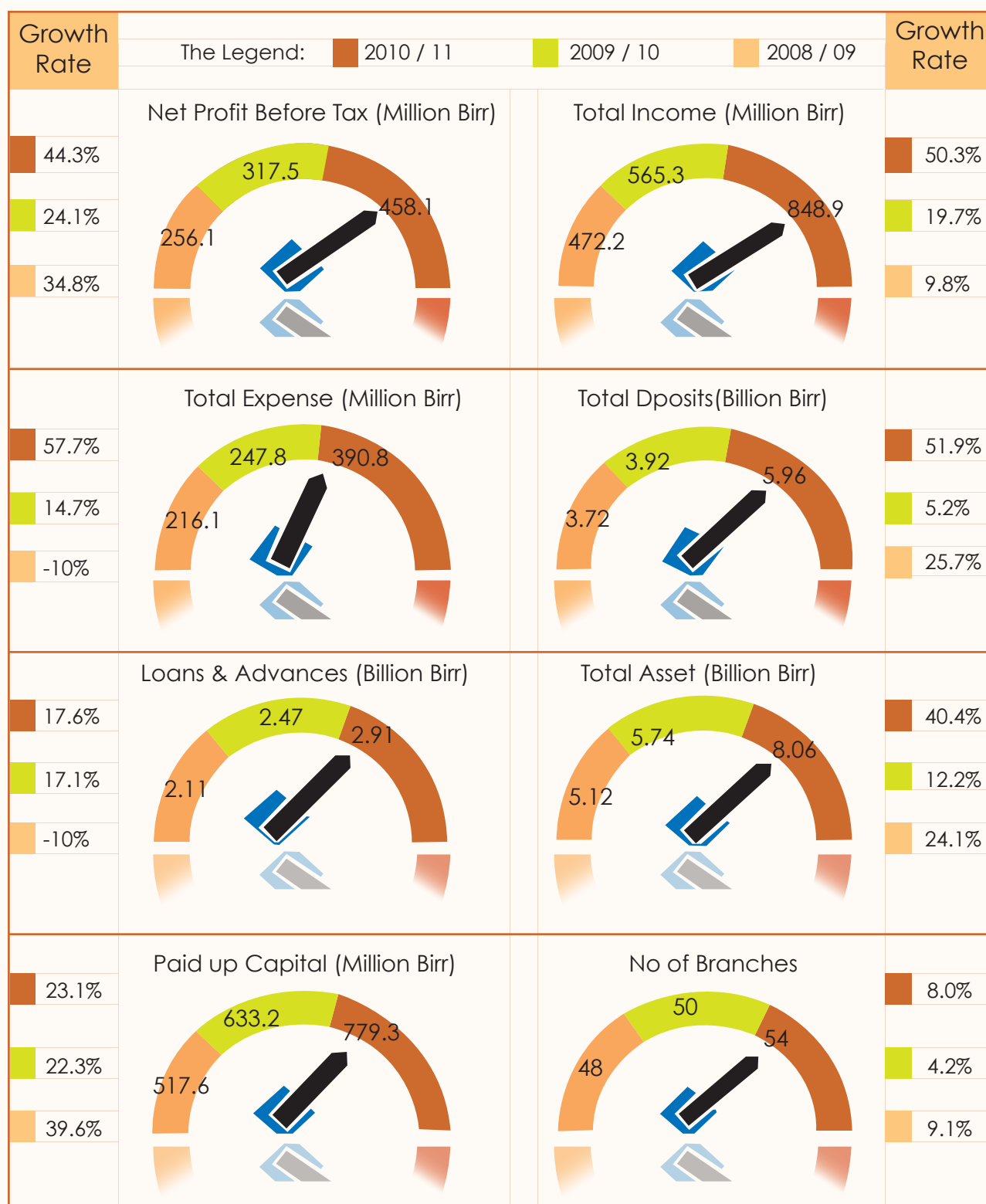
In closing, on behalf of the Board of Directors, I wish to thank our shareholders for their support and confidence, which is vital to our continued growth and development. I am also particularly grateful to our esteemed customers for their trust and loyalty, and to our management team and staff whose commitment and professionalism defines and determines our success.

Best Regards,



Sebbat Negga
Chairperson,
Board of Directors

Performance Highlight



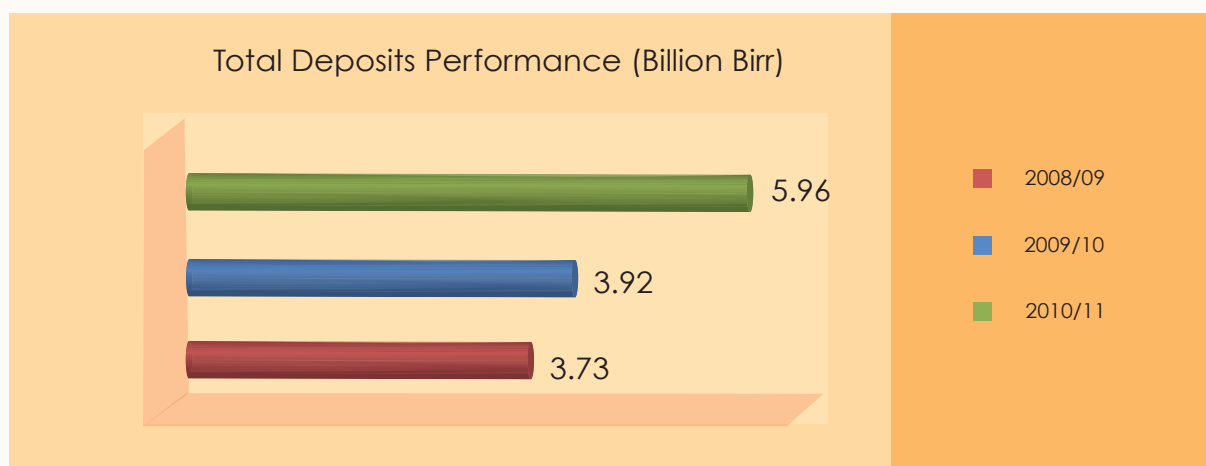
Despite various exogenous pressures that prevailed in 2010/11, the Bank's growth trajectory has taken accelerated drive; most of the attained growth rates of the above indicators considerably outweighed the preceding year's growth pace.

A. Report of the Board of Directors

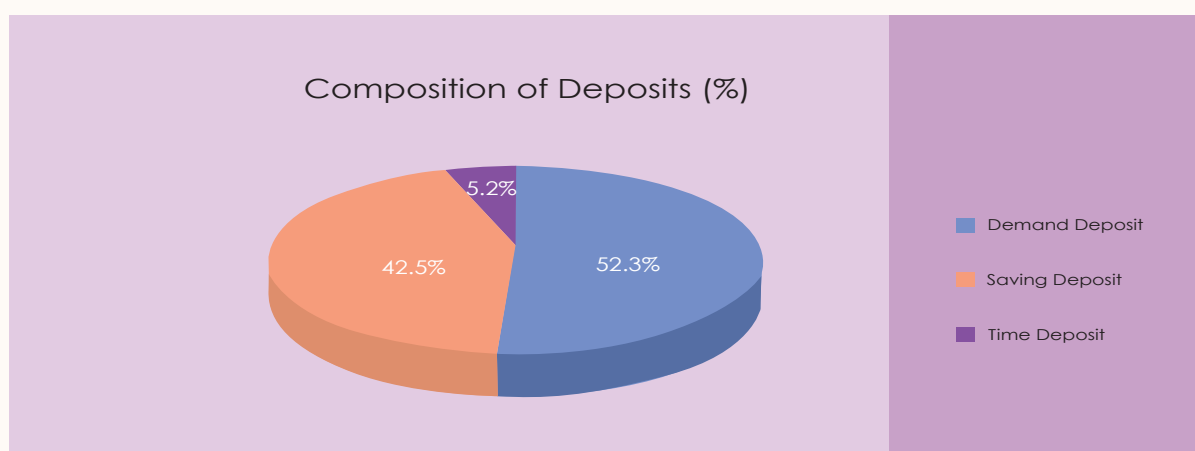
1. OPERATIONAL PERFORMANCE

1.1 Deposit Mobilization

Total deposits as at June 30, 2011 stood at Birr 5.96 billion, showing a magnificent increase of 51.9% (Birr 2.03 billion) relative to the preceding fiscal year's figure of Birr 3.92 billion. The observed performance is attained due to an effort exerted at all level to enhance deposit mobilization endeavor.

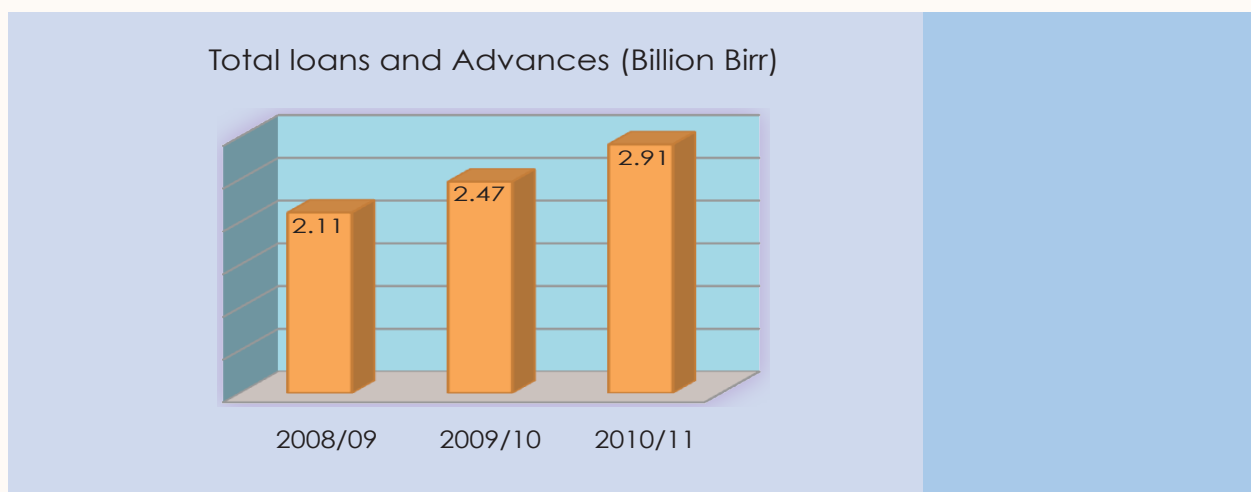


Demand and savings deposits reached Birr 3.12 billion and Birr 2.53 billion, respectively, at June 30, 2011. Both deposit types showed substantial surge of 76.1% (Birr 1.35 billion) and 29% (Birr 568.9 million) relative to the preceding year, respectively. Demand deposits take the lion's share of 52.3%, followed by savings deposit (42.5%) and time deposit (5.2%), subsequently.

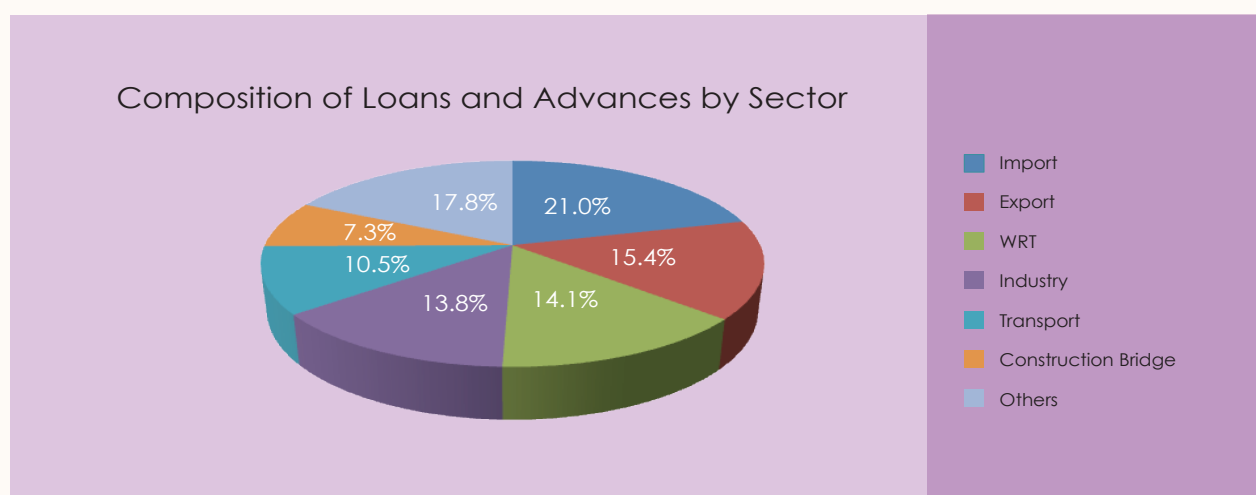


1.2 Loans and Advances

The outstanding loans and advances portfolio of the Bank totaled Birr 2.91 billion as at June 30, 2011, showing a significant increase of 17.6% (Birr 436.2 million) relative to the preceding year's Birr 2.47 billion. The observed growth rate of loan portfolio of the Bank relative the preceding year would have been even much higher if the amount of fund went into NBE's Bill is taken into consideration.



Looking into distribution of loans and advance by sector, it reveals that import sector took the lion's share of 21.0% (Birr 611.8 million) followed by export: 15.4% (Birr 447.3 million), WRT: 14.1% (Birr 414.5 million), industry: 13.8% (Birr 402.1 million), transport: 10.5% (Birr 305.4 million) and Construction Bridge: 7.3% (Birr 213.2 million), which in aggregate amounted to 82.2% of total loan balance in the period under consideration.



1.3 International Banking Operations

International banking activities generated a significant portion of the Bank's income, and hence profit. During the period under review, international banking business generated Birr 463.3 million, close to 55% of the Bank's gross revenue, showing a significant increase of 73.9% compared to the preceding year's Birr 266.4 million.

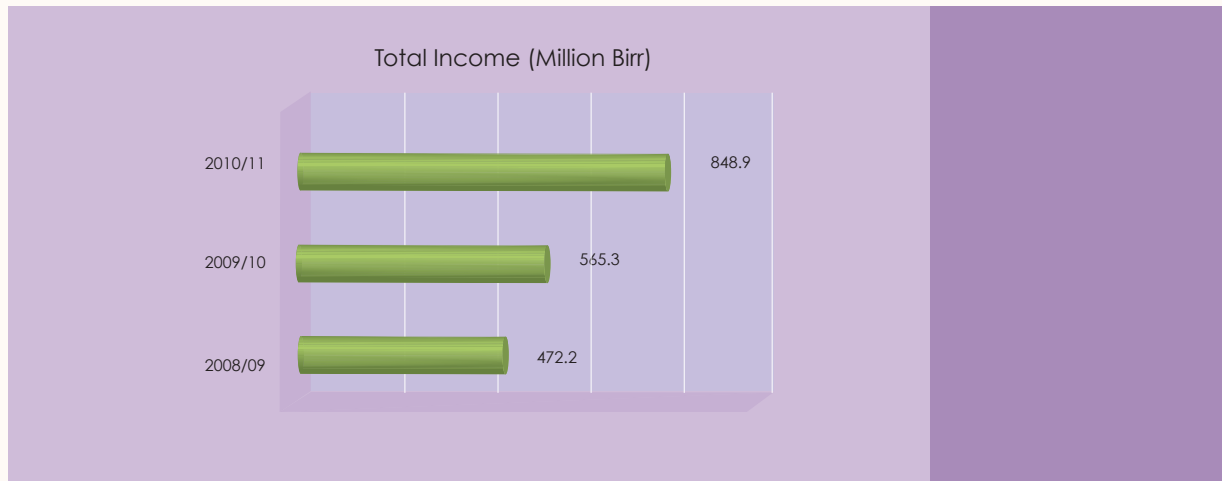
Correspondent Banks for Standard Settlement Instruction (SSI)

No.	Name of Banks	Currency	Town	Swift/BIC	Account no.	Type
1	Citibank NA	USD	New York	CITIUS33	36128583	C/A
2	Citibank NA	EUR	London	CITIGB2L	10585831	C/A
3	Citibank NA	GBP	London	CITIGB2L	11070657	C/A
4	Citibank NA	JPY	London	CITIGB2L	12008939	C/A
5	Commerzbank AG	EUR	Frankfurt am main	COBADEFF	400870030401 EUR	C/A
6	Commerzbank AG	USD	Frankfurt am main	COBADEFF	400870030400 USD	C/A
7	Commerzbank AG	SEK	Frankfurt am main	COBADEFF	400870030400 SEK	C/A
8	HSBC Bank plc	USD	Johannesburg	HSBCZAJJ	121-000608-150	C/A
9	HSBC Bank plc	EUR	Johannesburg	HSBCZAJJ	121-000608-151	C/A
10	HSBC Bank plc	JPY	Johannesburg	HSBCZAJJ	121-000608-153	C/A
11	Standard Chartered Bank	USD	London	SCBLGB2L	017068107-50	C/A
12	Standard Chartered Bank	GBP	London	SCBLGB2L	017068107-01	C/A
13	Unicredit Italiano SPA	EUR	Millan	UNCRITMM	0995 8850600	C/A
14	Unicredit Italiano SPA	USD	Millan	UNCRITMM	0995 1832500	C/A
15	ING Belgium SA/NV (formerly BBL)	EUR	Brussels	BBRUBEBB	301-0105758-12-EUR	C/A
16	ING Belgium SA/NV (formerly BBL)	USD	Brussels	BBRUBEBB	301-0105758-12-011	C/A
17	Natexis Banques Populaires	EUR	Paris	CCBPRPPP	FR763000799990607920000019EUR	C/A
18	Natexis Banques Populaires	USD	Paris	CCBPRPPP	FR763000799990607920000019USD	C/A
19	The National Commercial Bank	USD	Jeddah	NCBKSAJE	555135240 10105	C/A
20	Bank OF Africa Mer-Rouge (Credit Agricole - Banque Indosuez Mer Roug)	USD	Djibouti	MRINDJJD	100820596580002	C/A
21	Banque pour Le Commerce ET Industrie Mer Rouge	USD	Djibouti	BCIMDJJ	09590015547001USD	C/A
22	Nordea Bank, Denmark a/s	DKK	Copenhagen	NDEADKKK	5000013858	C/A

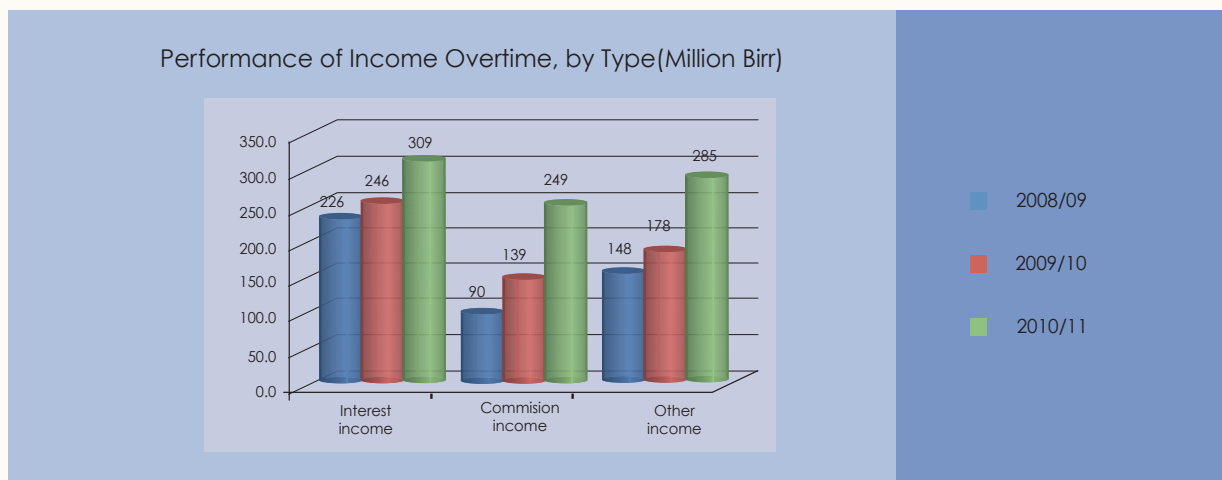
2. FINANCIAL PERFORMANCE

2.1 Income Analysis

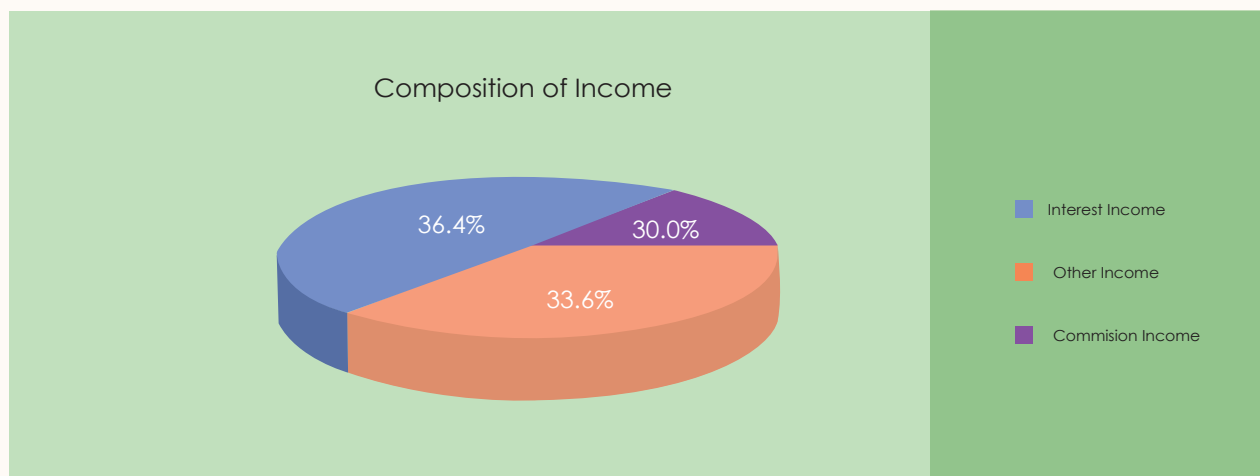
Total income of the Bank rose to all time record-high of Birr 848.9 million in the year, showing a substantial increase of 50.2% (Birr 283.6 million) compared to the preceding fiscal year's Birr 565.3 million. The observed achievement is considered quite commendable despite the fact that various exogenous pressures fervently collaborated to challenge the performance of financial sector.



Comparison of income with the preceding year level discloses that all components of income performed fabulously well. Commission income boosted up by largest growth rate of 78% followed by other income sources and interest earned on loans & advances with 59% and 25%, respectively.

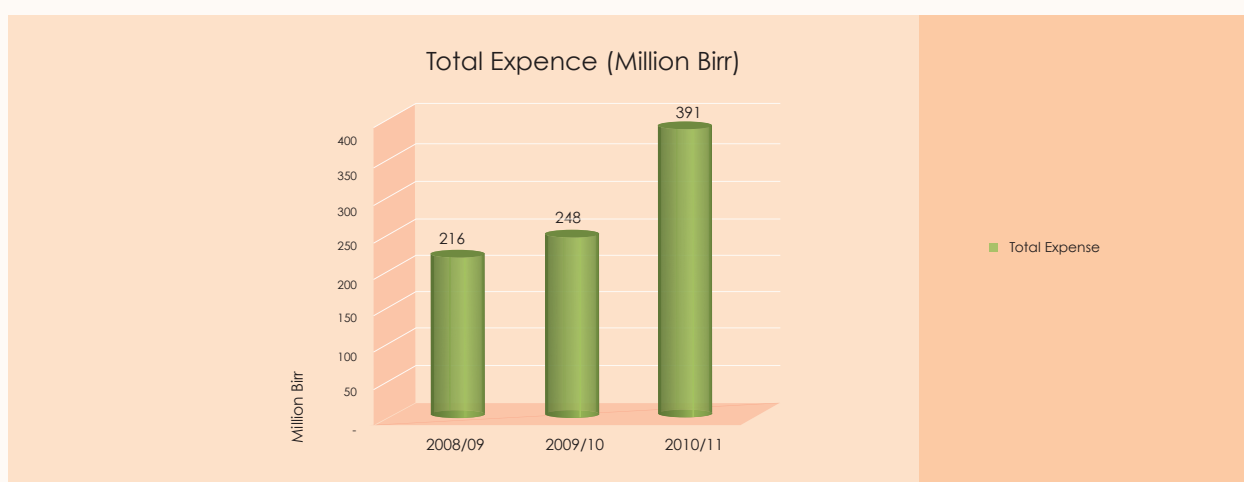


Looking into the composition of income reveals that interest earned on loans & advances took lion's share of 36.4% (Birr 308.6 million) of total income, followed by other income sources and commission income with 33.6% (Birr 285.6 million) and 29.3% (Birr 248.5million), respectively.

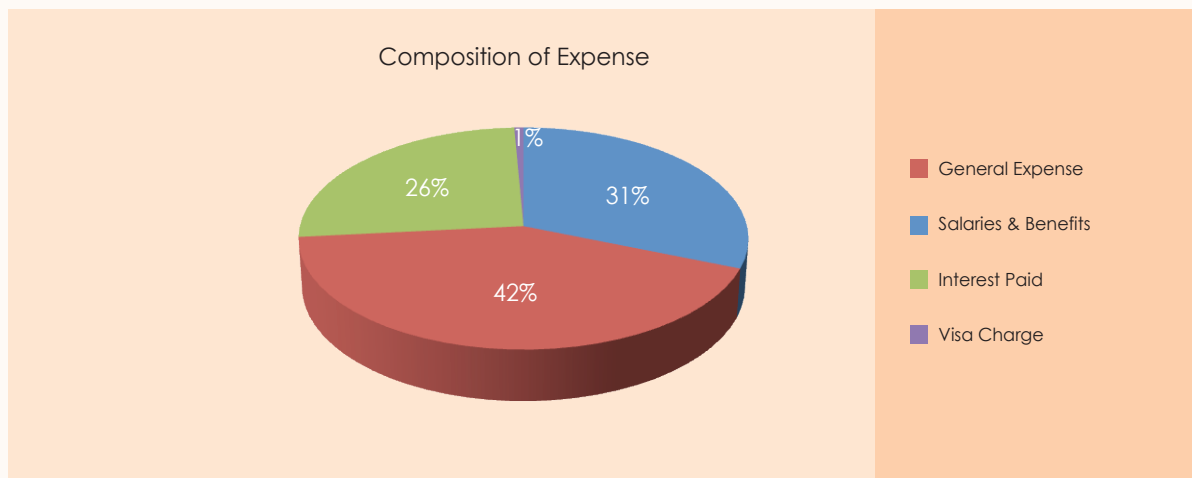


2.2 Expense Analysis

Total expense of the Bank stood at Birr 390.8 million as at June 30, 2011, showing an increment of 57.7% (Birr 142.9 million) from the preceding year's Birr 247.9 million. The observed surge in total expense relative to the preceding year level is mainly occurred due to a huge increase in interest paid by 32.3% (Birr 24.5 million), owing to upward adjustment in deposit floor rate, and sizable rise of general expense by 18.7% (Birr 20.4 million), partially, due to the prevailing inflationary pressure.

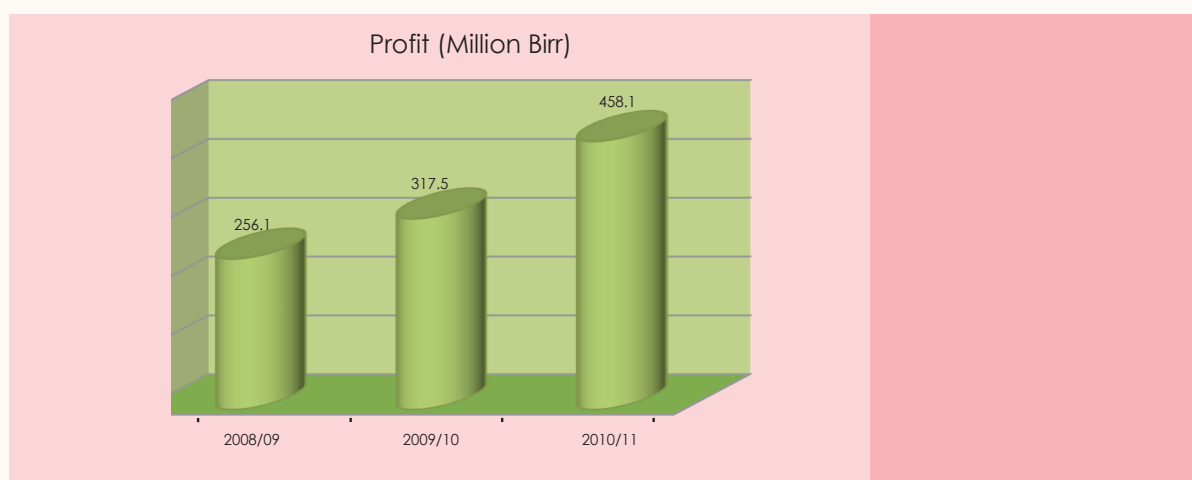


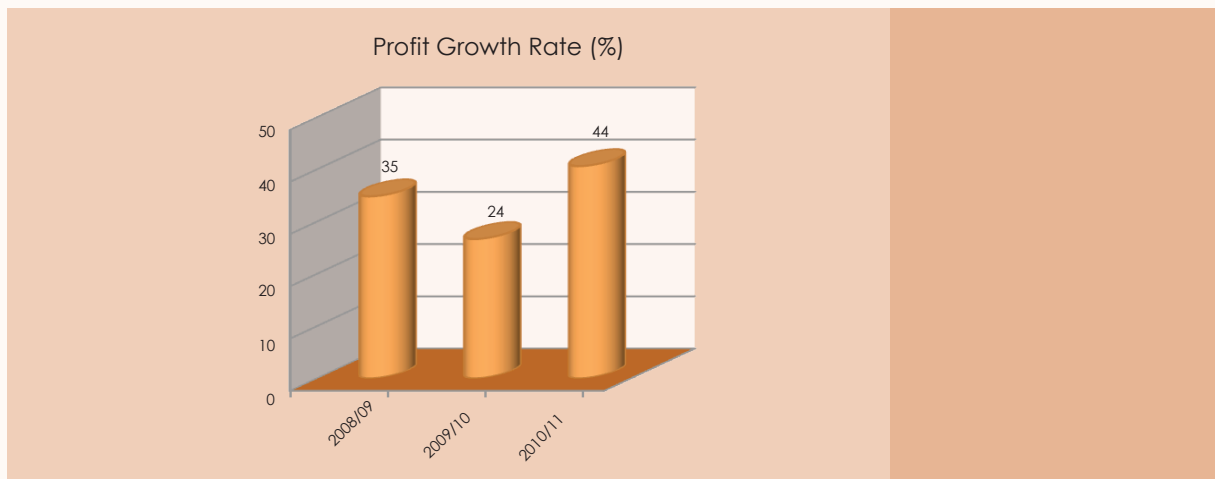
Looking into the structure of expense shows that general expense (including provision) took the lion's share of 42% followed by employee salaries & benefits, and interest paid by 31% and 26%, respectively.



2.3 Profit Analysis

The operating profit of the Bank, before tax, rose to Birr 458.1 million as at June 30, 2011, showing a substantial increase of 44.3% (Birr 140 million) compared to the preceding year's Birr 317.5 million. The observed performance is obtained due to better utilization of resources and efforts exerted to insure efficiency and effectiveness of operation processes. In this regard, the cost efficiency of the Bank as measured by the expense-income ratio stood at 46%.





The profit growth rate also got momentum and propelled by 20 percentage points relative to the growth rate observed in the preceding year due to a coordinated and focused effort exerted at all level. The obtained performance is quite an achievement in view of the fact that ups & downs in monetary policy regime prevailed in the period under consideration along with the revived inflationary pressure to scorch the economy.

3. BRANCH NETWORK, ASSET AND CAPITAL

3.1 Branch Network

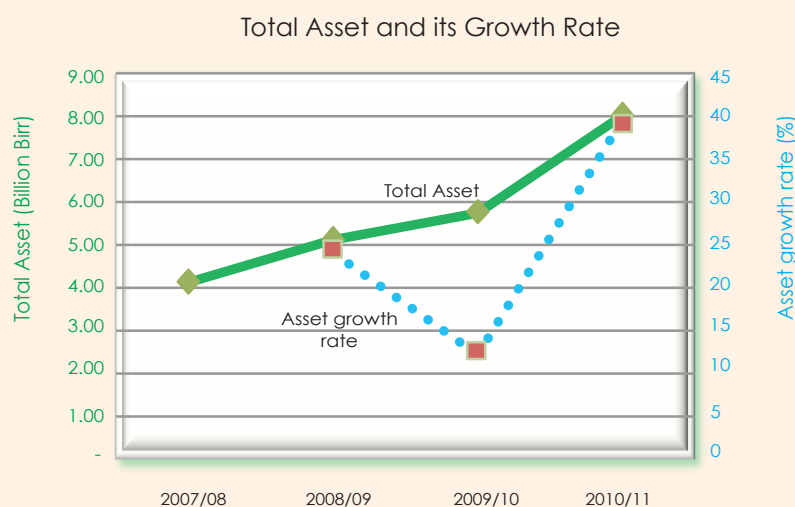
The number of branches of Wegagen increased from 48 in 2008/09 to 54 in 2010/11 at an average annual growth rate of 6%.

3.2 Assets

The Bank's asset has been growing continuously on average by 25.3% over the past consecutive three years. As at June 30, 2011, total asset of the Bank increased by a record high 40.4% and amounted to Birr 8.06 billion.

3.3 Capital

The total capital of the Bank which is comprised of paid-up capital, legal reserve, retained earnings and premium on share capital, Birr 1.34 billion, showed an increase of Birr 290 million or 27.7% over the balance recorded during the preceding year (Birr 1.05 billion).



Shareholders' 18th Regular Meeting

4. CAPACITY BUILDING

4.1 Human Resource

Our human resource base is the main driving engine of the observed achievement in operational and financial performance. As at June 30, 2011, the total number of staff reached 2,003 of which skilled and semi-skilled professionals constituted 58% while non-clerical staff held the remaining balance (42%).

The 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 banker has continued as a strategy to produce own people and strengthen belongingness.



Management Meeting

The focus of human resource development in the Bank has been on developing a superior workforce so that seamless and unparalleled service is delivered to our most valued customer. In this regard, training of employees is an important ingredient of improved service quality and better performance. Thus, training programs were organized and provided at various levels to a total of 891 appropriate staff, high and middle level management.

4.2 Information Technology

Wegagen Bank is pioneer to technology-based services, and to keep up with this strategic edge, it has been endeavored to modernize the Bank through adoption of up-to-date banking technology. As a result, a new Core Banking System has been rolled out and it went live in all branches. The new Core Banking System is expected to contribute to efficiency and effectiveness of work process which in turn increases customer satisfaction with the Bank.

The modern payment card systems project also showed a progress. Number of ATMs under operation reached 30 and viable site identification for additional lobby ATMs deployment was also undertaken. With regard to card issuing activity, a total of 8,583 card applications were entertained by the year's end.

The new Core Banking System would enable the Bank to commence "convenience banking" such as online banking, mobile banking SMS banking, etc.

4.3 Headquarters Building

In order to enhance the public image of the Bank and address the rising rental cost, a coordinated effort has been exerted to precipitate headquarters building construction project. Accordingly, all the groundwork and considerable part of the negotiation process with the winning contractor- China Jiangxi C.I.E.T.C. – is finalized. This project is expected to be finalized in 2014/15.



Contract Signing for Headquarters Building Construction

5. RISK MANAGEMENT

In the current globalization and market liberalization, banking business is becoming more exposed to financial and non-financial risks. Unless such risks are prudently and consciously identified, quantified, and controlled on an ongoing basis, sustaining in business is becoming difficult.

Wegagen Bank has been continuously working to introduce new and comprehensive risk management practices compatible with the Bank's size, capacity and complexity side by side with risk assessment on credit, liquidity, interest rate, foreign exchange and to some extent on operational risk reporting functions that have been in practice beginning a few years later. The Bank is also endeavoring to enhance its risk assessment towards technology risk etc.

Furthermore, the Bank is attempting to strengthen implementation of comprehensive risk management and enhance awareness at all levels and individual staff of the Bank so that risk is always consciously taken to maximize returns and ensure its sustainability.

6. INTERNAL CONTROL

While integrity and prudence are basically required on the part of Wegagen Bank's employees, internal control is mandatory. The major responsibility bestowed to this area of activity is to ensure existence of procedures and policies

With Special emphasis is given to legal requirements and directives, which normally are designed to promote good business practices acceptable to shareholders, depositors, borrowers and the society at large. It should be ensured that every aspect of the banking operations is conducted with integrity and professionalism.

The controller is administratively responsible to the President/Chief Executive officer, with reporting relations to the Board of Directors. The controlling staff have full independence from other units supervisors.

Control Department is responsible for

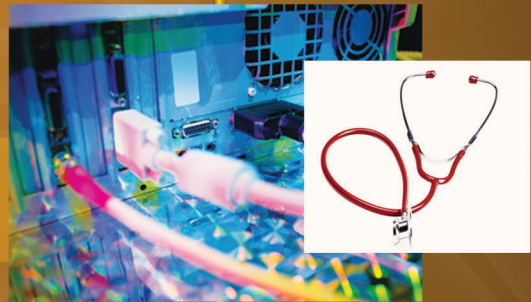
- Compliance to the existing policies and procedures of the Bank, and relevant legal and regulatory provisions,
- Whether the Bank's Assets are properly recorded, safeguarded against loss and accounted properly,
- Whether financial records are accurate and reliable and reviewing and evaluating the existing internal control etc,
- Submit relevant audit and inspection results to management and auditors, incorporating major findings that require corrective actions for rectification and solutions.

FINANCING DIFFERENT SECTORS



EXPORT

IMPORT



MANUFACTURING INDUSTRY



AGRICULTURE . . .

B. External Auditors' Report

**Getachew Kassaye & Co.,
Chartered Certified Accountants
and**

Authorised Auditors

P. O. Box: 1432

Addis Ababa, Ethiopia

Tel: +(251) 11 551 37 11, 551 17 08

Fax: +(251) 11 551 02 20

E-mail: getachewkassaye@ethionet.et

Addis Ababa, Ethiopia

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, 2011, set out on pages 3 to 24, 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, 2011, and its profit and cash inflows for the year then ended and are prepared in accordance with International Financial Reporting Standards.

Addis Ababa
October 17, 2011



GETACHEW KASSAYE & Co.,
Chartered Certified Accountants



WEGAGEN BANK SHARE COMPANY

BALANCE SHEET

AT 30 JUNE 2011

Currency : Ethiopian Birr

	NOTES	BIRR	2010 BIRR
ASSETS			
Cash and bank balances with local banks	3, 2h	2,285,727,420	1,130,263,762
Reserve with National Bank of Ethiopia		803,388,527	598,388,527
Deposits with foreign banks	4, 2g	1,051,971,662	1,107,079,525
Treasury bills-NBE		-	199,990,000
NBE Bills	5	899,887,000	-
Loans and advances	6, 2d	2,777,875,585	2,375,625,606
Stocks of supplies	7	20,352,762	29,083,956
Other assets	8	69,185,028	202,190,283
Deferred charges	9, 2i	36,592,435	16,546,518
Leasehold land	2j	16,429,506	15,835,026
Property, plant and equipment	10, 2e	99,527,453	66,933,372
TOTAL ASSETS		8,060,937,378	5,741,936,575
LIABILITIES			
Deposits from customers	11	5,733,716,853	3,815,751,230
Deposits from financial institutions	12	223,766,980	107,047,487
Other liabilities	13	385,944,254	329,984,826
Margin held on letters of credits		234,612,645	332,174,840
Provision for taxation	14	134,852,023	94,187,072
Leasehold land payable		10,709,466	11,065,089
TOTAL LIABILITIES		6,723,602,221	4,690,210,544
CAPITAL AND RESERVES			
Paid up capital	15	779,316,000	633,170,000
Share Premium	16	25,424,100	21,415,250
Legal Reserve	17	290,136,763	209,317,331
Special Reserve	18	-	20,317,764
Retained Earnings	19	242,458,294	167,505,686
TOTAL CAPITAL, RESERVES AND LIABILITIES		8,060,937,378	5,741,936,575



Sebbat Negga
Sebbat Negga
 Chairperson,
 Board of Directors



WEGAGEN BANK SHARE COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

	NOTES	BIRR	2010 BIRR
INCOME			
Interest income	20, 2f	314,852,236	247,251,582
Less :Interest expense	21	100,194,471	75,742,832
Net interest income		214,657,765	171,508,750
Fees and commission income	22, 2f	248,516,005	139,233,614
Net gains from dealing in foreign currencies	2g	243,615,381	145,125,297
Other income	23	7,326,194	33,728,772
Income from card payment		619,232	2,911
Net operating income		714,734,577	489,599,344
Provision for doubtful loans and advances	2d	(35,256,376)	-
Provision for doubtful debts other than loans and advances		(5,104,028)	(8,525,334)
Net interest and other income after provision for doubtful debts		674,374,173	481,074,010
LESS: - EXPENSES			
Salaries and benefits		120,492,787	90,846,238
General and administrative	24	92,133,867	65,630,338
Visa Charge		2,845,020	-
Directors fee	25	652,000	6,976,359
Audit fee		120,750	93,088
		216,244,424	163,546,023
PROFIT BEFORE TAXATION		458,129,749	317,527,987
LESS: PROVISION FOR TAXATION	14	134,852,023	94,187,072
NET PROFIT AFTER TAXATION		323,277,726	223,340,915
TRANSFER TO LEGAL RESERVE		80,819,432	55,835,229
NET PROFIT AFTER TAX AND LEGAL RESERVE		242,458,294	167,505,686
EARNING PER SHARE OF BIRR 1,000			
	30	448	380

WEGAGEN BANK SHARE COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

	Paid up Capital Birr	Share Premium Birr	Legal Reserve Birr	Special Reserve Birr	Retained Earnings Birr	Total Birr
Balance as at July 1, 2009	517,618,000	14,243,500	153,482,102	15,619,220	135,451,762	836,414,584
Dividend paid	-	-	-	-	(58,135,628)	(58,135,628)
Premium collected	-	7,171,750	-	-	(163,703)	7,008,047
Dividend capitalized 2008/2009	68,609,378	-	-	(15,619,220)	(52,990,158)	-
New shares issued	46,942,622	-	-	-	-	46,942,622
Net profit for the year	-	-	-	-	223,340,915	223,340,915
Transfer to Special Reserve	-	-	-	20,317,764	(20,317,764)	-
Transfer to dividend payable	-	-	-	-	(3,844,509)	(3,844,509)
Transfer to Legal Reserve	-	-	55,835,229	-	(55,835,229)	-
	-	-	-	-	-	-
Balance as at June 30, 2010	633,170,000	21,415,250	209,317,331	20,317,764	167,505,686	1,051,726,031
Dividend paid	-	-	-	(20,317,764)	(37,281,648)	(57,599,412)
Premium collected	-	4,008,850	-	-	-	4,008,850
Dividend capitalized 2008/2009	331,884	-	-	-	-	331,884
Dividend capitalized 2009/2010	125,789,480	-	-	-	(125,789,480)	-
New shares issued	20,024,636	-	-	-	-	20,024,636
Net profit for the year	-	-	-	-	323,277,726	323,277,726
Transfer to Special Reserve	-	-	-	-	-	-
Transfer to dividend payable	-	-	-	-	(4,434,558)	(4,434,558)
Transfer to Legal Reserve	-	-	80,819,432	-	(80,819,432)	-
	-	-	-	-	-	-
Balance as at June 30, 2011	779,316,000	25,424,100	290,136,763	-	242,458,294	1,337,335,157

WEGAGEN BANK SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

	BIRR	BIRR	2010 BIRR
Cash In Flow from Operating Activities:			
Profit before taxation		458,129,749	317,527,987
Depreciation		13,455,605	10,358,957
Amortization		3,497,808	1,448,763
Less Gain on Disposal of Fixed Asset		(3,298,083)	-
Operating profit before change in working capital		471,785,079	329,335,707
(Increase)/decrease in stocks of supplies		8,731,194	(16,786,745)
(Increase)/ decrease in other assets		133,005,255	(67,435,841)
Increase in loans and advances		(402,249,979)	(391,878,475)
Increase in deposits from customers		1,917,965,623	264,895,373
Increase/(decrease) in deposits from financial institution		116,719,493	(70,478,813)
Increase/(decrease) in margin held on letter of credits		(97,562,195)	117,790,100
Increase in other liabilities		55,959,428	78,332,227
Dividend transferred to liability		(590,049)	(462,086)
Decrease in leasehold payable		(355,623)	(913,185)
		2,203,408,226	242,398,262
Net Cash In Flow from Operating Activities		2,203,408,226	242,398,262
INVESTING ACTIVITIES			
Acquisition of fixed assets	(46,113,455)		(25,746,671)
Proceeds Disposal of Fixed Asset	2,481,000		-
Collection/(purchase) of treasury bills	199,990,000		(199,990,000)
Purchase of NBE Bills	(899,887,000)		-
Deferred expenditures paid	(23,632,145)		(13,935,669)
		(767,161,600)	(239,672,340)
TAXATION			
Profit tax paid		(94,187,072)	(75,499,105)
FINANCING ACTIVITIES			
New shares issued	20,024,636		46,942,622
Premium collected	4,008,850		7,008,047
Equity dividend paid	(60,737,245)		(60,994,369)
		(36,703,759)	(7,043,700)
Net Increase (decrease) in Cash and Cash Equivalents		1,305,355,795	(79,816,883)
Cash Balances 30/06/10 Birr		Increase/(Decrease) in Cash Birr	Cash balances 30/06/11 Birr
Cash and bank balances with local banks	1,130,263,762	1,155,463,658	2,285,727,420
Reserve with National Bank of Ethiopia	598,388,527	205,000,000	803,388,527
Cash with foreign bank	1,107,079,525	(55,107,863)	1,051,971,662
	2,835,731,814	1,305,355,795	4,141,087,609

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

I 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 has a network of 54 branches throughout 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 Accounting

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.

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.

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

iii) De-recognizing 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 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:

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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.

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 14)

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, 2011. Foreign exchange differences arising on translation are recognized in the income statement.

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

i Deferred Charges

Deferred charges represent expenses incurred for the establishment of Card Payment System Project & Core Banking & Data Migration Project. Deferred charges are amortized over five years

j Leasehold Land

The bank has acquired 2,254 sq. m. 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 than 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

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

3 CASH AND BANK BALANCES

	BIRR	2010 BIRR
Cash in hand	675,696,500	430,728,939
Deposits with domestic banks	492,772,799	422,692,959
NBE payment and settlement account	1,117,258,121	276,841,864
	2,285,727,420	1,130,263,762

4 DEPOSITS WITH FOREIGN BANKS

	BIRR	2010 BIRR
Correspondent accounts	713,809,662	565,795,525
Fixed deposits	338,162,000	541,284,000
	1,051,971,662	1,107,079,525

5 NBE BILLS

Purchase of National Bank of Ethiopia (NBE) Bills, as per NBE Directive No MFA/NB EBILLS/001/2011, having a maturity period of five years.

6 LOANS AND ADVANCES

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

	BIRR	2010 BIRR
Within 12 months	957,342,706	1,155,956,792
After 12 months but within 24 months	925,292,173	576,196,294
After 24 months	975,685,147	687,141,493
	2,858,320,026	2,419,294,579
Add:-Loans under litigation	51,728,918	54,577,915
	2,910,048,944	2,473,872,494
Less:-Provision for doubtful loans and advances	132,173,359	98,246,888
	2,777,875,585	2,375,625,606

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

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

	BIRR	2010 BIRR
Agriculture	14,820,597	23,171,545
Building construction	90,576,936	91,854,471
Manufacturing	397,871,903	341,039,958
Hotel and tourism	125,398,010	40,358,055
Wholesale and retail	400,742,516	207,351,341
Health services	23,469,997	2,507,668
Transport vehicles	272,760,988	223,805,373
Miscellaneous domestic trade	123,604,690	82,880,533
Advance against import bills	-	20,286,224
Staff loans	12,625,202	9,566,954
Consumers loans	129,540	96,772
Automobile loans	13,123,492	16,449,643
Export	310,204,671	325,422,750
Import	600,737,455	540,511,413
Construction bridge loans	179,492,868	145,201,073
Mortgage loans	79,255,837	85,999,859
Transport loans	28,690,514	17,780,626
Merchandise loans	2,759,744	-
Personal loans	12,592,589	8,855,121
Revolving export credit	121,350,125	209,453,076
Loans under litigation	51,728,918	54,577,915
Special staff loans	48,112,352	26,702,124
	2,910,048,944	2,473,872,494
Less: -Provision for doubtful loans and advances	132,173,359	98,246,888
	2,777,875,585	2,375,625,606

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

7 STOCK OF SUPPLIES

	BIRR	2010 BIRR
Negotiable instruments	567,449	1,023,547
Check books	1,352,904	1,069,541
Stationary	2,655,318	2,539,016
Bank forms	1,935,884	1,102,899
Travelers cheque	2,078,413	4,600,016
Memorial coins	558,400	974,200
Fixed assets in store	6,189,707	13,098,686
EMV Visa cards	3,529,707	3,530,766
Pin mailers	434,402	434,402
Private label cards	49,794	49,794
Others	1,000,784	661,089
	20,352,762	29,083,956

8 OTHER ASSETS

	BIRR	2010 BIRR
Payment and deposits	74,086,561	46,432,890
Receivable from NBE	1,775	109,433,303
Staff receivables	67,311	281,923
Accrued income receivables	4,730,642	-
Receivable from African Insurance	1,366,597	946,243
Assets awaiting for resale	7,287,151	7,650,012
Receivable from Dehabshil MTC	-	38,870,184
Receivable from Amal Express	-	2,141,411
Receivable from branches under formation	761,984	1,775,713
Receivable from Kah Express Ltd	-	9,143,352
Visa settlement receivable	-	634,918
Inter-branch balances	78,809	108,611
Money Gram Int. money transfer	106,728	-
Others	1,038,809	104,971
	89,526,367	217,523,531
Less: - Provision for bad debts	20,341,339	15,333,248
	69,185,028	202,190,283

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

9 DEFERRED CHARGES

	BIRR	2010 BIRR
Card Payment System-ATM	17,489,042	7,243,816
Less: amortization	4,923,519	1,448,763
	12,565,523	5,795,053
Core Banking & Data Migration	24,026,912	10,751,465
	36,592,435	16,546,518

10 PROPERTY, PLANT AND EQUIPMENT

	Balance 01/07/10 Birr	Additions Birr	Adjustments Birr	Balance 30/06/11 Birr
COST				
Premises	4,038,925	828,077		4,867,001
Motor vehicle	42,951,569	8,586,921	(2,294,737)	49,243,754
Computer and accessories	33,904,185	26,147,746	(56,396)	59,995,535
Office and other equipment	18,316,902	6,876,495	(8,200)	25,185,198
Office furniture and fittings	19,052,146	3,076,121		22,128,267
Acquired property	621,766	-		621,766
Construction in progress:				
Head office	1,773,237	598,095	-	2,371,331
	120,658,730	46,113,455	(2,359,333)	164,412,852
DEPRECIATION				
Premises	444,865	215,633		660,497
Motor vehicle	27,081,295	5,886,579	(2,293,746)	30,674,128
Computer and accessories	10,002,737	3,812,773	(924)	13,814,586
Office and other equipment	6,647,609	1,958,553	(894)	8,605,269
Office furniture and fittings	9,512,815	1,550,979		11,063,793
Acquired property	36,037	31,088		67,126
	53,725,358	13,455,605	(2,295,564)	64,885,399
NET BOOK VALUE	66,933,372			99,527,453

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

II DEPOSITS FROM CUSTOMERS

Payable on Demand

Private sector
Public agencies and enterprises
Regional governments
Cooperatives and associates
Non-resident accounts
Resident foreign currency account
Zero balance account
Special demand deposit
ECX paying and settlement account

BIRR	2010 BIRR
2,762,648,034	1,586,908,336
18,009,815	365,994
815,563	680,028
10,045,226	7,957,000
122,702,356	41,454,193
37,778,875	64,387,266
227	227
118,327,937	33,540,700
19,915,478	25,282,088
3,090,243,511	1,760,575,832

Saving deposit

Private sector
Cooperatives and associates
Now accounts
Children trust fund
Special savings
Non-interest bearing
Public agencies and enterprises

2,404,517,164	1,864,687,623
71,367,593	65,405,120
27,254,315	14,673,797
2,493,336	1,542,539
5,554,978	5,345,042
4,808,412	
2,630	2,519
2,515,998,428	1,951,656,640

Term Deposits

Private sector
Public agencies and enterprises

42,165,838	22,426,576
85,309,076	81,092,182
127,474,914	103,518,758
5,733,716,853	3,815,751,230

12 DEPOSIT FROM FINANCIAL INSTITUTIONS

Payable on demand
Saving deposit
Fixed time deposit

BIRR	2010 BIRR
26,682,614	9,761,580
13,439,612	8,797,125
183,644,754	88,488,781
223,766,980	107,047,487

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

13 OTHER LIABILITIES

	BIRR	2010 BIRR
Cashier payment order	249,029,212	202,503,605
Blocked current account	11,316,025	6,403,754
Unearned revenue	4,712,710	2,952,352
Accrued interest on savings and deposits	6,439,914	4,838,401
Provision for annual leave	12,202,950	8,933,524
Local transfer payable	24,159,338	24,635,230
Provision for bonus	11,559,001	9,355,774
Exchange commission	33,252,020	32,305,582
Deposit for guarantees issued	5,573,777	5,724,359
Miscellaneous payable	18,818,372	17,361,977
Taxes and stamp duty charges	88,506	38,064
Dividend payable	4,434,558	3,844,509
Foreign transfer payable	894,242	1,071,483
Guarantee fee payable	429,431	634,303
Staff payable	14,194	201,089
Court case	2,523,348	2,388,461
Income tax payable	46,656	-
Directors fee payable	450,000	6,792,359
	385,944,254	329,984,826

14 PROVISION FOR TAXATION

	BIRR
Balance as at July 1, 2010	94,187,072
Less: -Payments	94,187,072
	-
Profit before tax	458,129,749
Add: -Non allowable expenses	
Depreciation in accordance with accounting policy	13,455,605
Prior years adjustment – pooling method	
Provision made during the year other than loan & advances	5,085,949
Entertainment	197,933

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

Less: - Allowable expenses

Depreciation in accordance with tax regulation 286/2002

Interest earned on Treasury Bills

Interest earned on Foreign Banks Deposits

Interest earned on NBE Bills

Non Credit Items Written off

Taxable Profit

Provision for profit tax @ 30%

21,052,377

24,000

1,477,615

4,730,642

77,858

449,506,744

134,852,023

15 PAID-UP CAPITAL

Balance as at July 1, 2010

Add: New shares issued

Capitalized dividend

BIRR

633,170,000

20,024,636

126,121,364

779,316,000

16 SHARE PREMIUM

Balance as at July 1, 2010

Add: Premium on New shares issued

BIRR

21,415,250

4,008,850

25,424,100

17 LEGAL RESERVE

a) The detail is as follows

Balance as at July 1, 2010

Add: Transfer from Retained Earnings

BIRR

209,317,331

80,819,432

290,136,763

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 2011

Currency : Ethiopian Birr

18 SPECIAL RESERVE

a) The detail is as follows

Balance as at July 1, 2010
Less: Transferred to dividend

BIRR
20,317,764
20,317,764
-

b) The 15 % of retained earnings of the previous fiscal year set aside as special reserve was transferred to dividend with the decision of the shareholders

19 RETAINED EARNINGS

Balance as at July 1, 2010
Less: Capitalized dividend
 Dividend paid on cash
 Dividend transferred to liability
Add: Net profit for the year

BIRR
167,505,686
125,789,480
37,281,648
4,434,558
242,458,294
242,458,294

20 INTEREST INCOME

Interest on loans and advances
 Treasury bills
 National bank of Ethiopia Bills
 Interest on deposits with foreign banks

BIRR	2010 BIRR
308,619,979	246,341,036
24,000	29,000
4,730,642	-
1,477,615	881,546
314,852,236	247,251,582

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

21 INTEREST EXPENSE

		2010 BIRR
Savings deposits	88,646,523	59,995,345
Fixed time deposits	11,061,605	15,037,392
Special demand deposit	486,343	710,095
	100,194,471	75,742,832

22 COMMISSION, FEES AND CHARGES

		2010 BIRR
Letter of credit	192,079,872	95,946,058
Letter of guarantees issued	30,462,643	21,497,216
Local transfer and others	25,973,490	21,790,340
	248,516,005	139,233,614

23 OTHER INCOME

		2010 BIRR
Rebet	585,901	466,888
Swift charge	890,166	844,868
Rent	95,448	51,325
Provision for doubtful loans, advances	-	30,387,057
Gain on disposal of acquired assets		595,179
Gain on disposal of old assets	3,298,083	-
Cash surplus	87,790	93,660
Estimation fee	572,954	235,244
Correspondent charges	-	6,126
Bad debts collected	321,754	-
Sundries	1,474,098	1,048,425
	7,326,194	33,728,772

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

24 GENERAL AND ADMINISTRATIVE EXPENSES

	BIRR	2010 BIRR
Office rent	23,702,903	20,104,440
Stationery and printing	6,308,852	5,073,101
Communication	7,493,291	5,964,409
Fuel and lubricants	2,868,727	2,409,745
IT support charges	865,522	763,833
Advertising and publicity	3,648,100	2,163,863
Repair and maintenance	2,909,110	1,998,354
Insurance	3,342,051	2,765,853
Electricity and water	790,368	668,157
Membership subscription	216,934	453,226
Entertainment	197,933	157,959
Wages	178,546	148,947
Inauguration	210,785	46,077
Depreciation	13,455,605	10,358,957
Amortization	3,497,808	1,448,763
Cleaning supplies	463,578	362,790
Transportation	3,720,595	1,319,724
Guest house expense	13,219	10,442
License and inspection fee	7,050	6,350
Perdiem	1,177,949	534,100
Leased line for computerization	1,788,332	1,438,005
Renovation	105,590	45,982
Correspondent charges	300,271	240,386
Money transfer charges	266,985	604,959
Fixed assets below Birr 1000	692,015	594,326
Motor vehicle inspection	85,195	46,361
Municipality fees and taxes	94,830	105,631
Sundries	13,731,723	5,795,598
	92,133,867	65,630,338

25 DIRECTORS' FEE

a) The detail is as follows

	BIRR	2010 BIRR
Board meeting allowance	202,000	184,000
Board Compensation	450,000	6,792,359
	652,000	6,976,359

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

- b.) Board Compensation for the year under review was provided as per the NBE Directive no SBB/ 49/2011 fifty thousand Birr for each Board members. Directors fees applicable to previous year 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.

26 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.

- b) The detail is as follows:-

		BIRR	2010 BIRR
Contingent Liabilities			
Letter of credit	(Note (c))	704,237,083	845,046,199
Bank guarantee	(Note (d))	622,252,876	545,324,855
		1,326,489,959	1,390,371,054
Commitments			
Undrawn loans and advances approved but not disbursed	(Note(a))	187,324,415	145,135,397
Unutilized merchandise revolving facility and unutilized advance against export bills		50,525,534	84,695,240
Unutilized overdraft facility		168,744,659	140,245,067

- 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 2011

Currency : Ethiopian Birr

27 MATURITIES OF ASSETS AND LIABILITIES

a) The detail is as follow

	Total BIRR	Less than 6 months BIRR	From 6 months to one year BIRR	Over one year BIRR
ASSETS				
Cash and bank balances	4,141,087,609	4,141,087,609	-	-
NBE bills	899,887,000	-	-	899,887,000
Loans and advances	2,777,875,585	-	957,342,706	1,820,532,879
Other assets and stock supplies	89,537,790	-	89,537,790	-
Deferred charges	36,592,435	-	-	36,592,435
Leasehold land	16,429,506	-	-	16,429,506
Fixed assets	99,527,453	-	-	99,527,453
Total Assets	8,060,937,378	4,141,087,609	1,046,880,496	2,872,969,273

LIABILITIES AND SHAREHOLDERS' FUND

Customers' deposits	5,733,716,853	5,733,716,853	-	-
Deposit in financial institutions	223,766,980	-	223,766,980	-
Other liabilities	385,944,254	385,944,254	-	-
Margin held	234,612,645	234,612,645	-	-
Leasehold and payable	10,709,466	-	950,101	9,759,365
Profit tax payable	134,852,023	134,852,023	-	-
Shareholders' funds	1,337,335,157	-	-	1,337,335,157
Total liabilities and shareholders' funds	8,060,937,378	6,489,125,775	224,717,081	1,347,094,522

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

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

28 RELATED PARTY TRANSACTIONS

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

	BIRR	2010 BIRR
Loans and advances at June 30, 2011	347,826,226	88,651,514
Customers' deposits at June 30, 2011	458,844,550	247,365,834
"Guarantees issued/contingent liabilities"	20,987,611	100,000
Interest income for the year	9,642,611	6,830,138
Interest expense for the year	4,019,834	1,666,943

- 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.

29 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 counterparty credit risk the Bank ensures, whenever necessary, that all loans are secured by acceptable forms of collateral. The bank has also established credit limits across industries and products, it regularly reviews its credit exposure. The bank loans are diversified against various sectors as shown in Note 6 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

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

mainly from customers' deposits. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Note 27 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 implementation of operational manuals by the operational units. Additionally the bank has strong oversight and supervision and internal control function. Besides, IT system and management audit have been started to strengthen operational risk management framework

30 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit after tax but before legal reserve amounting to Birr 323,277,726 (2010: Birr 223,340,915) by the weighted

WEGAGEN BANK SHARE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Currency : Ethiopian Birr

average number of shares outstanding during the year of 722,041 (2010: 588,519)

31 MEMORANDUM ACCOUNTS

	BIRR	2010 BIRR
“Loans and advances written off, kept in memorandum account”	50,661,314	48,823,791
Interest on non performing loans	20,395,549	18,883,294
IBC-acceptance and sight	53,107,803	13,532,741
OBC-own branches and other bank’s city clearance	398,979,530	7,845,668
Outward document bills for collection-sight	666,590	4,269,368
OBC-foreign	2,686,943	1,393,820
Stock of parts and travelers cheque	321,970	495,312
Money bags	6,629	9,410
Uncollected penalty charges on bounced checks	416,786	242,146

30 COMPARATIVE FIGURES

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

Addresses of City Branch Offices

No	Branch	Fixed Line	Fax	P. O. Box
1	Abakoran	0112-781177 / 76	0112-781146	51177
2	Abinet	0112-780571 / 44	0112-780551	1018
3	Africa Avenue	0116-624772	0116-624770	1018
4	Africa Union	0115-547061 / 63	0115-547062	43186
5	Arada	0111-111074 / 61	0111-111676	1018
6	Beklobet	0114-663580 / 81	0114-663608	101841
7	Bole	0115-523524 / 0115-539568	0115-524455	10621110
8	Bole Medhanialalem	0116-616135 / 33	0116-638968	713/1250
9	CMC Area	0116-479047 / 43	0116-479048	1018
10	Gerji	0116-29814114	0116-298118	737/1110
11	Gofa	0114-655816 / 17	0114-654879	56810
12	Gofa Camp	0114-668784 / 0114-671174	0114-165166	1018
13	H/Giorgis	0111-112972 / 70	0111-578499	24215
14	ILRI	0116-459752 / 53	0116-459755	1018
15	Kaliti	0114-394285 / 86	0114-394284	180
16	Kazanchis	0115-545666 / 71	0115-545665	1018
17	Merkato	0112-752867 / 0112-752119	0112-752799	1080
18	Mesalemia	0112-768611 / 0112-765154	0112-765142	26661
19	Meskel Square	0115-516652 / 0115-512728	0115-516834	27571/1000
20	Sebara Babur	0111-570186 / 0111-570329	0111-570040	20493
21	Military Tera	0112-134605	0112-134609	186195
22	T/Haymanot	0111-563813 / 12	0111-563811	56734
23	Wellosefer	0114-66800693	0114-668098	1018
24	Weyra Bethel	0113-492184 / 0113-495308	0113-495536	1018
25	Wuhalimat	0116-631518 / 17	0116-625150	170201
	IMTCO	0116-632274 / 0116-631617	0116-631618	1018

Addresses of Outlying Branch Offices

No	Branch	Fixed Line	Fax	P. O. Box
1	Adama	0221-119055 / 86	0221-126070	1900
2	Adigrat	0344-452866 / 0344-452790	0344-452745	237
3	Adwa	0347-714046 / 43	0347-714047	105
4	Agaro	0472-211031 / 51	0472-211499	404
5	Axum	0347-753631 / 95	0347-753440	277
6	Bahir Dar	0582-202038 / 39	0582-202037	1125
7	Bishoftu	0114-371062 / 25	0114-371010	1721
8	Dessie	0331-113788 / 89	0331-113790	1277
9	Dire Dawa	0251-111702 / 0251-110827	0251-110841	107
10	Edaga Mekele	0344-413666 / 22	0344-413748	1090
11	Gendawuha	0583-310009 / 0583-370010	0583-310010	19
12	Gondar	0581-114816 / 15	0581-114620	02
13	Harar	0256-664622 / 0256-663623	0256-669819	1434
14	Hawassa	0462-202629 / 0462-204172	0462-205480	723
15	Hawelti	0344-419674	0344-419675	2141
16	Humera	0344-480005 / 07	0344-480006	38
17	Jijiga	0257-757628 / 0257-752057	0257-752058	491
18	Jimma	0471-116393 / 05	0471-116301	1358
19	Kezira	0251-110285 / 0251-130371/72	0251-130412	107
20	Kombolcha	0335-510753 / 54	0335-510323	332
21	Mekelle	0344-408933 / 34	0344-403269	930
22	Metema Yohannes	0582-311138 / 39	0583-310278	491
23	Shashemene	0461-103468 / 66	0461-103469	623
24	Ruztera Area	0251-124674	0251-124675	249
25	Shire	0344-442165 / 0344-442424	0344-442229	116
26	Tog Wajaale	0258-820033 / 32	0258-820034	1301
27	Tulu Bollo	0113-420064 / 57	0113-420065	15
28	Weliso	0113-41984 0113-411617	0113-410187	415
29	Yirgachefe	0463-320553 / 0463-320410	0463-320552	118

Location Map of Branch Offices



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