WEGAGEN BANK, S. C.

2012/13 Annual Report

Your Partner in Development

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Annual Report 2012/13

Contents

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

- Excellence in customer service;
- Integrity, honesty and loyalty;
- Effective, efficient and expanding operations;
- Strong capital and liquidity position;
- Prudent lending;
- Diversity and fairness in employment practice;
- Commitment to comply with the spirit and letter of the law;
- Social responsibility.

THE MANAGEMENT TEAM

Araya G/Egziabher
President/CEO

Kewser Rashid
V/P - Operations

Woldegebriel Wedajo
V/P - Support Services

Addis W/Cherkos
Manager, Domestic Banking Department

Enyew Tadele
Manager, Finance & Accounts Department

Demas Zewdu
Manager, Admin & HRD Department

Dawit Teferra
Manager, ITS Department

G/Giorgis Hailu
Manager, Risk and Compliance Management Department

Yehwalashet Zewdu
Manager, Control Department

Kefene Gurmu
Manager, Legal Service Department

Tesfaye H/Michael
Manager, Engineering Service

Wondifraw Tadesse
Manager, Corporate Planning Department

Desaley Embza
Manager, Credit Department

Yohannes Mengistu
Manager, Marketing Department

Atikilt Admasu
A/Manager, IBD

Statement of the Chairman of the Board of Directors

On behalf of the Board of Directors and myself, I am pleased to present the annual report of Wegagen Bank SC for the financial year ended June 30, 2013.

In the fiscal year, the global economy continued to recover slowly with uneven pace of growth across regions where it had both been instable and uncertain. The US economy expanded at a weaker pace as strong fiscal contraction policy subdued private demands and unimpressive unemployment figures reigned across most of the quarters. Recession in the Euro zone remained deeper as growth in the UK resulted in a contraction while Japan's economy had shown some improvements driven by consumption and export growth. Across major emerging economies,growth continued to disappoint mainly due to infrastructural bottlenecks and slower growth in external demand.

During the year, the national economy,operating under increasingly lively internal and external macroeconomic environment,featured various noticeable developments. The fundamentals that underpinned the steady and relatively faster growth of the country's economy, however, have not changed in essence. In particular, rise in public and private investments, urbanization, and export sector drove the economic growth even though contribution of the latter had generally been less compared to previous years. Containing the inflation rate at a single digit, improving national savings and investment rates, and developing many and various infrastructural facilities,among others, were notable achievements that have reinforced the recorded GDP growth during the fiscal year.

A glimpse at the banking sector would give the impression that the industry by and large operated under various challenges as well as opportunities. The regulatory policy actions of the National Bank of Ethiopia in its mission toward enhancing monetary stability and financial sector soundness have continued to be as dominant and more significant during the year. It had been introducing various requirements and taking several policy initiatives via its successive directives to guide the sector into a desired course. Further lowering of statutory deposit reserve rate and issuance of directives on Agent and Mobile Banking and Investment modalities of banks can be mentioned in this regard. Albeit its national significance and overriding cause, the central bank's stringent requirement to purchase long-term government bonds by private commercial banks which stayed enforced to date has, however, created pressure on banks in terms of creating liquidity strains as well as reducing interest spread. On the other hand, the growing stiff competition among banks especially on deposit mobilization and premises for branch offices had aggravated intensely.

Responding as it does to trends in the global as well as national economy, changes in the banking sector, and working on improving internal capacity, the Bank was able to achieve steady growth as can be witnessed from various key financial indicators. As of end of the 2012/2013 fiscal year, the Bank was able to earn profit before tax of Birr 449 million an amount similar to the previous fiscal year's performance. Its total assets grew by 25% to reach Birr 10.5 billion and the total capital grew by 13% to reach Birr 1.8 billion. Hence, Return on Assets (ROA) and Return on Equity (ROE) were 3.1% and 17.8%, respectively while earnings per share stood at Birr 330.

The Bank's performance in deposit mobilization, bouncing back from an otherwise subdued display last fiscal year, was a remarkable one witnessing a 31% rate of growth upon beginning of year position. Total deposit from customers reached Birr 7.55 billion mainly driven by growth recorded in savings and demand deposits which grew, respectively, by 39% and 30%. Corresponding to this commendable growth in deposit levels, total loans and advances to customers also grew by 32% to reach a portfolio level of Birr 4.7 billion as at close of the fiscal year. Meanwhile, the Bank was able to keep the Non-Performing Loans ratio at 2.7% which is well below the maximum allowable regulatory requirement of 5%.

The Bank has also been playing an active role in the country's economy by discharging its financial intermediation role in terms of gearing up its resources to finance various sectors of the economy including those which are given priority by the government like agriculture, industry and export. On the other hand, the Bank has been contributing its part in promoting financial inclusion efforts by opening 76 branches across the length and breadth of the country and serving more than 330,000 customers. Furthermore, the Bank has continued to upgrade its Core-Banking system and thereby markedly improve the efficiency and effectiveness of its customer service.

With the aim of streamlining service offering of the Bank and reaching out well to its customers, the Bank has been undergoing a broad based service and organizational restructuring work which has now reached an important milestone. In addition, construction of the Bank's monumental Headquarters building complex right at the heart of the city is well under progress and had been completed about 12% as at end of the fiscal year. Moreover, the Bank had been working toward acquiring a plot of land to construct regional office buildings in two other regional cities out of Addis Ababa.

Looking forward, global efforts as well as developments across several troubled states would, by and large, give a general optimism about strengthening recovery and growth. In the domestic scene, the sector would see tougher competition yet again under watchful eyes of the central bank which may issue more additional regulations and tighten its supervision. In this constantly changing environment, however, the Bank commits itself to improve and excel in customer service, increase operational efficiency, strengthen its capital base, fulfill regulatory requirements, and ultimately maximize shareholder value.

Finally, I would like to extend my sincere appreciation to our esteemed customers who have counted on our Bank as their development partner and chosen to work with us. I would also like to express my thanks to our shareholders, the management team and entire staff,as well as regulators and those in government who have supported, trusted and guided us to deliver the commitments we have made.

Thank You!

Sebhat Negga

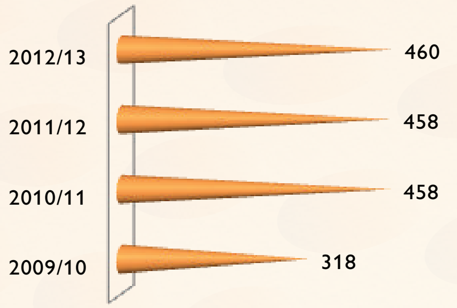
Chairperson,

Board of Directors

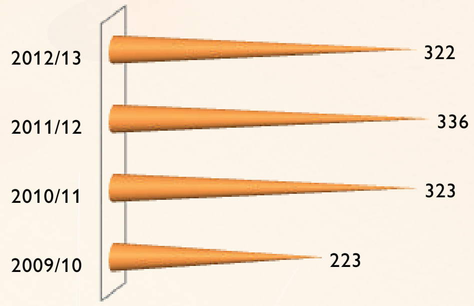
PERFORMANCE HIGHLIGHT

(In Millions of Birr)

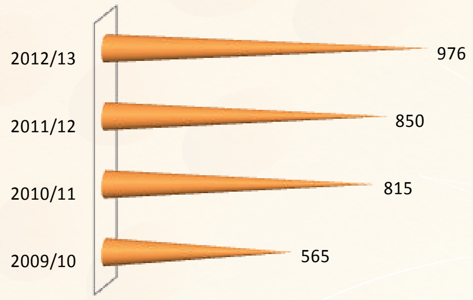
Profit before Tax



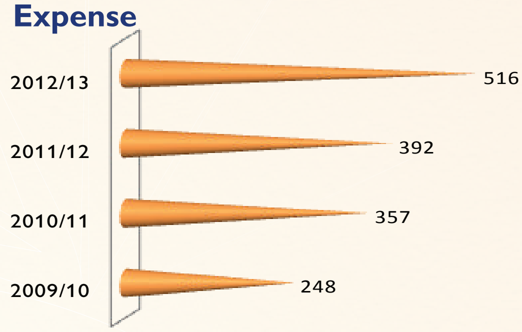
Profit after Tax



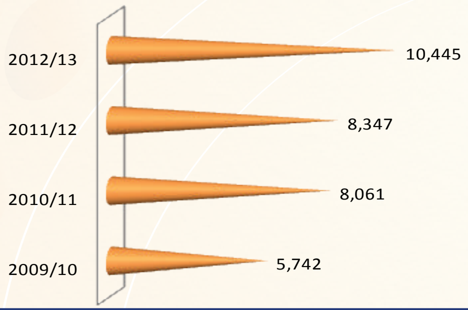
Income



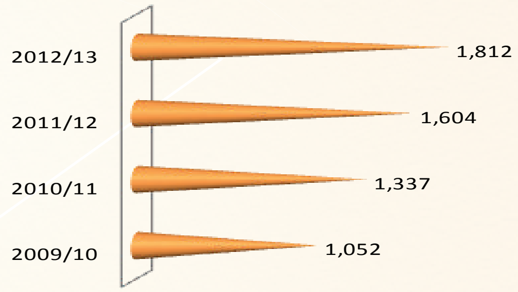
Expense



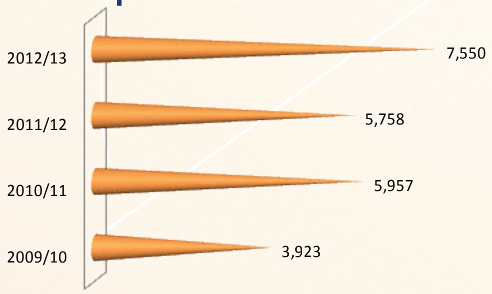
Total Asset



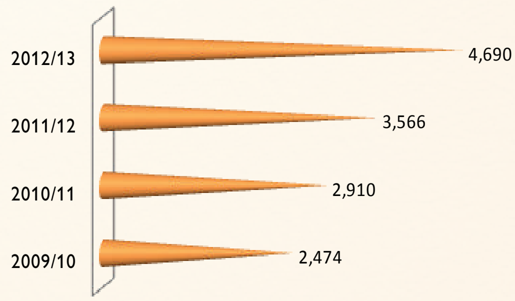
Paid up Capital



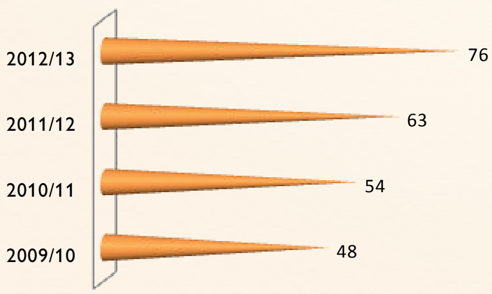
Total Deposits



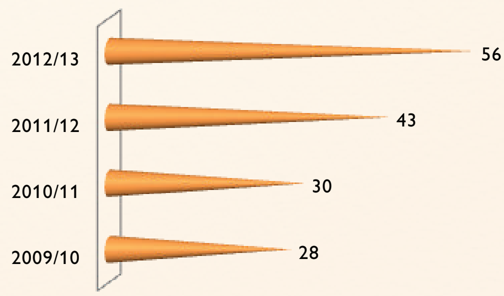
Loan & Advances



Number of Branches



Number of ATMs



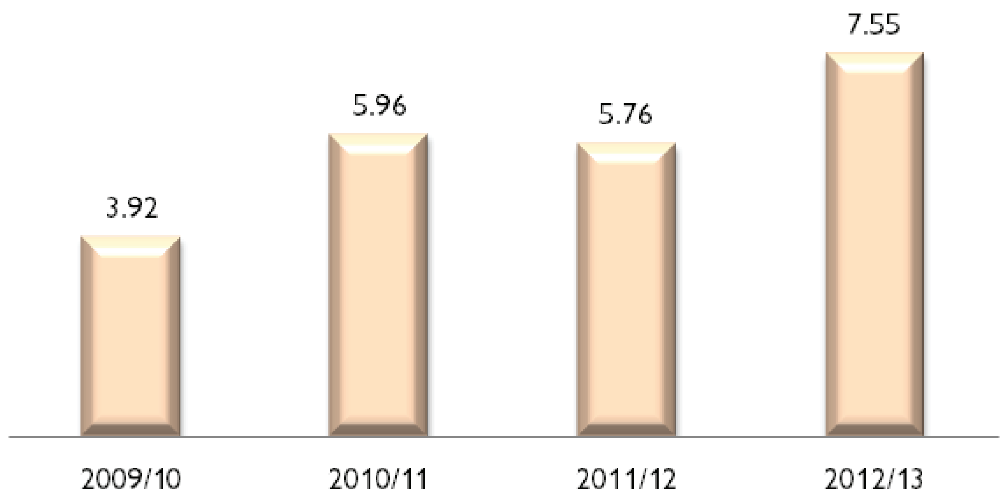
A. REPORT OF THE BOARD OF DIRECTORS

1. Operational Performance

1.1. Deposits Mobilization

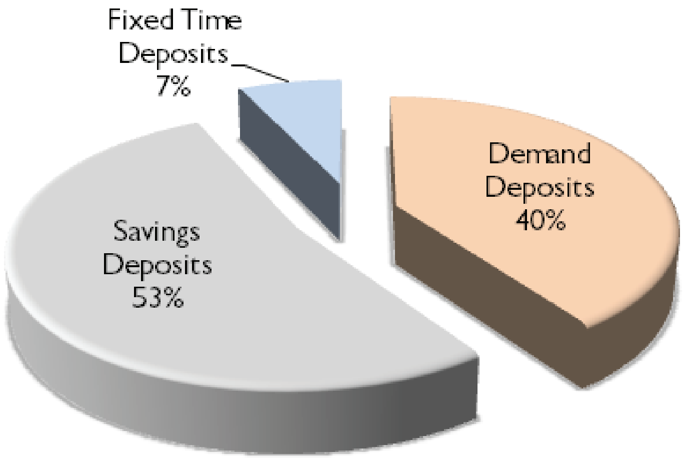
In 2012/13, the Bank's deposit base grew at an accelerated pace in the face of stiff competition over resources prevailed in the industry. As at June 30,2013, total deposits of the Bank reached Birr 7.55 billion, rising steadily by about 31% and increasing by a net deposit amount of Birr 1.8 Billion. This remarkable performance was mainly achieved due to utmost effort exerted by all organs of the Bank and improvements made in branch network expansion. Accordingly, the corresponding number of deposit accounts stood at 331,755, up by 21% over the preceding year's level of 274,065.

Fig.1: Total Deposits



A look at the composition of total deposits indicated that, except fixed time deposits, both savings and demand deposits positively contributed to the recorded overall growth. Savings deposits, which accounted for 53% of the total deposits, reached Birr 4 billion, expanding at an annual growth rate of 39%. Similarly, demand deposits grew by 30% to reach Birr 3 billion and constituted 40% of total deposits. As at end of the fiscal year, fixed time deposits reached Birr 532.7 million taking about 7% of the total deposits.

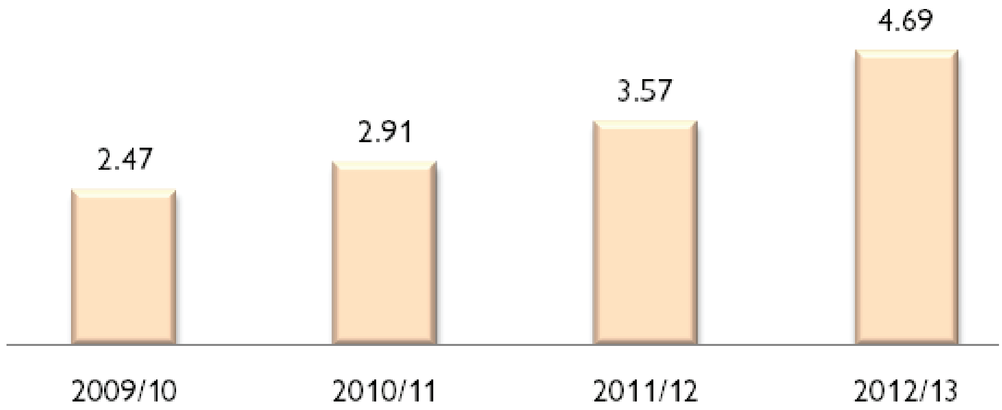
Fig.2: Composition of Deposits



1.2. Credit Operations

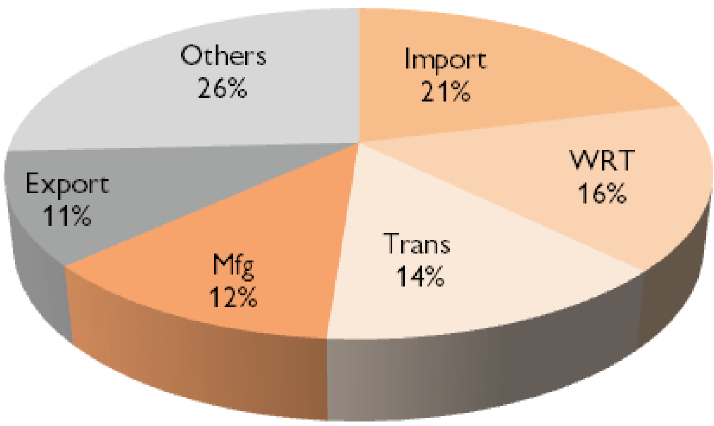
Parallel to the growth recorded in deposits, the Bank's credit provision has also witnessed marked increase. The total outstanding loans and advances of the Bank totaled Birr 4.7 billion at the end of June 2013, up by 32% against last year's level of Birr 3.4 billion. This performance would become much more significant if the amount of funds channeled toward NBE Bills purchase was taken into account. The total face value of NBE Bills reached Birr 2.4 billion as at June 30, 2013, growing by 48% over the 2011/12 FY balance. This amount was about 50% of the total loans and advances extended to customers indicating that it had been growing at an accelerated rate and putting strains on both earnings as well as liquidity positions of the Bank.

Fig.3: Total Outstanding Loans & Advances



With respect to allocation of loans and advances among economic sectors, import sector took the lion's share with 21% followed by Wholesale &Retail Trade (WRT) which constituted 16% of the total portfolio. Transport and Manufacturing sectors shared 14%, and 12%, respectively,while Export and Hotel &Tourism took up the remaining 11% and 9%, respectively.

Fig.4: Composition of Loans & Advances



1.3. International Banking Operations

During the year under review, the Bank earned substantial amount of revenue from this business line even though its share out of the total income declined on a year-on-year basis. The Bank earned Birr 357.5 million from international banking operations accounting for 37% of the total income earned in 2012/13, recording a growth of about 5% over the previous year's level of Birr 341.1 million.

Annual Management Meeting

Discussion with Exporters and Award Ceremony

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	Unicredito Italiano SPA	EUR	Millan	UNCRITMM	0995 8850600	C/A
14	Unicredito 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	CCBPFRPP	FR7630007999990607920000019EUR	C/A
18	Natexis Banques Populaires	USD	Paris	CCBPFRPP	FR7630007999990607920000019USD	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

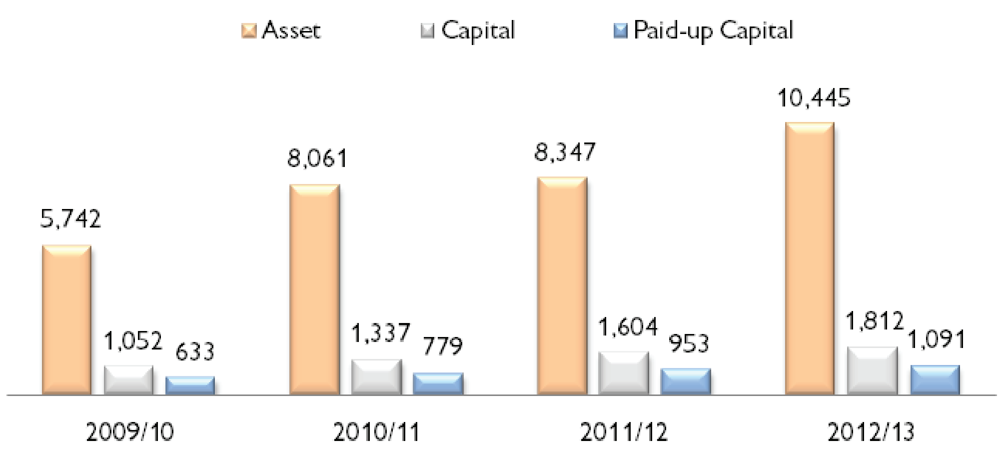
2.1. Asset Expansion

As at 30 June 2013, the Bank's total asset stood at Birr 10.5 billion rising by 25% over the last fiscal year's corresponding position of Birr 8.3 billion. This was mainly due to increases in loans and advances to customers, and investments in NBE Bills. Net Loans and Advances to customers accounted for 44% of total assets followed by Cash and Bank Balances (24%) and Investments in NBE Bills (23%). Exercising strong and proactive risk control mechanisms, the Bank was able to improve its asset quality and Non-performing loans ratio which, as at end of the fiscal year, dropped favorably to 2.7% down by 0.3 percentage points put against last fiscal year's corresponding figure.

2.2. Capital Growth

The Bank's total capital increased by 13% to reach Birr 1.8 billion as at June 30, 2013 from Birr 1.6 billion of the previous year. Constituting about 60% of the total capital, paid-up capital of the Bank reached Birr 1.1 billion making the Bank to be among those in premier positions in the entire private commercial banking industry.

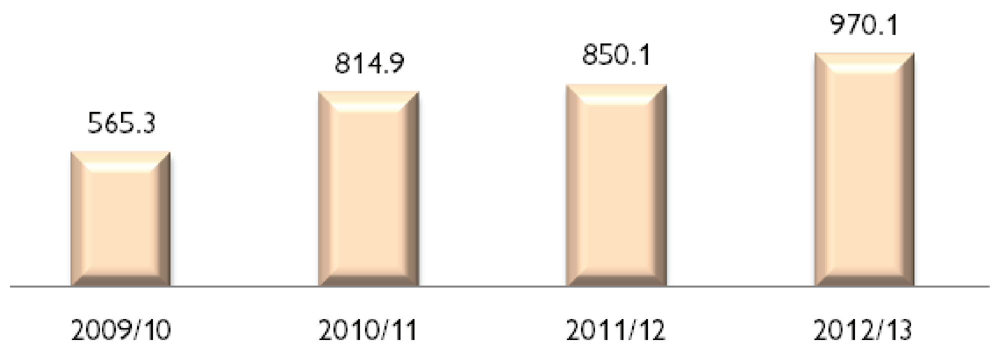
Fig.5: Asset, Capital & Paid-up Capital (in millions of Birr)



2.3. Income Analysis

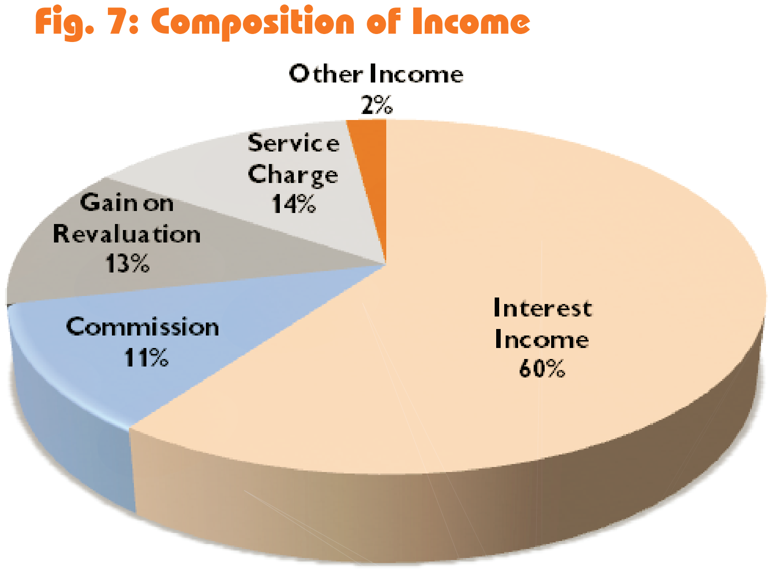
The Bank earned a total income of Birr 970 million in FY 2012/13, up by 14% compared with the preceding year's level of Birr 850 million. The increase in total income was predominantly due to higher growth recorded in Interest Income followed by income earned from Payment Card Services, Service Charges, and Gains from Foreign Currency Revaluations.

Fig 6: Total Income



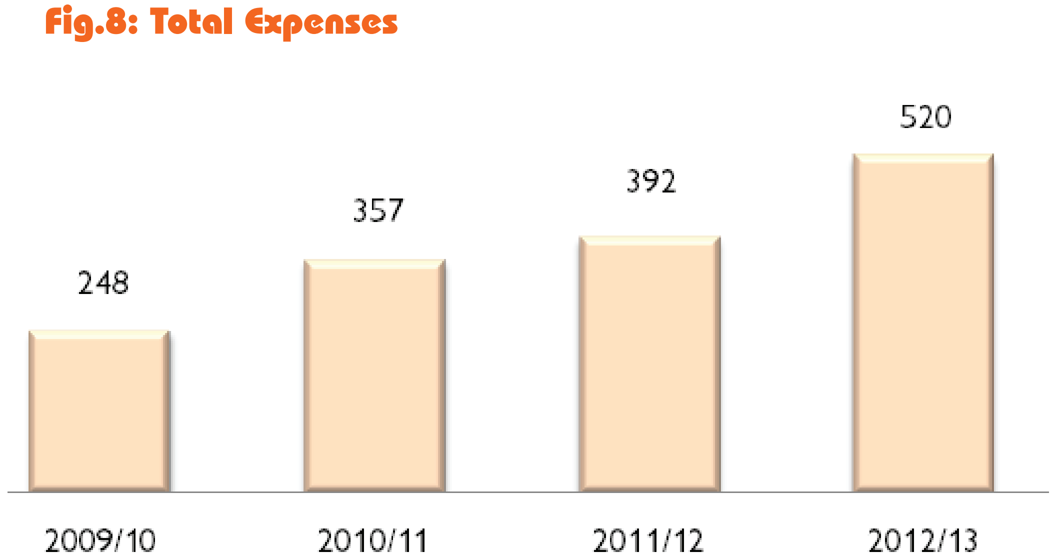
In the fiscal year, the Bank's total Interest Income was the major contributor with Birr 585.4 million and accounting for 60% of the total income earned followed by Service Charge- Foreign (Birr 131,530, i.e., 14%), Gain on Foreign Currency Revaluation (Birr 127.1 million, i.e., 13%), Commission Income (111.9 million, i.e., 11%, and Other Income (Birr 20 million,i.e., or 2%).

Shareholders' General Assembly



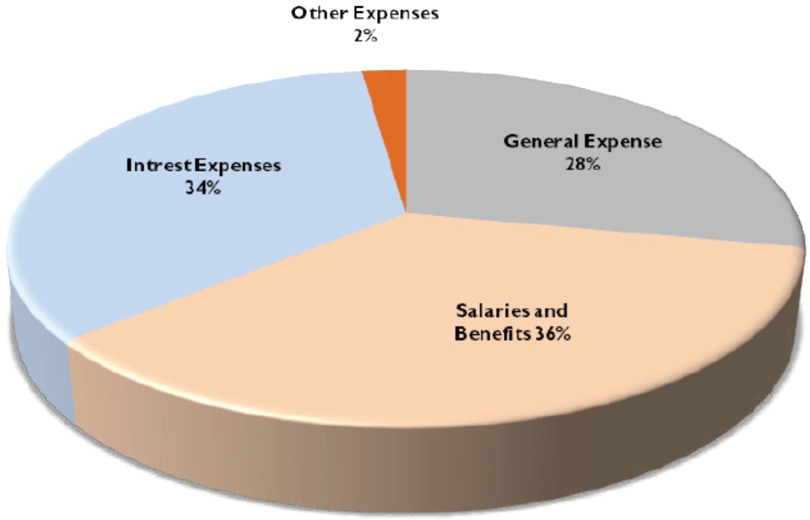
2.4. Expense Analysis

During the year under report, the total operating expenses of the Bank stood at Birr 520.4 million, up by 33% from Birr 391.9 million of the previous year. The recorded increase was highly attributable to the rise registered in Interest Expense, Salaries and Benefits, and General Expenses.



Taking up 36% of the total expenses incurred during the year, salaries and benefits expenses claimed the highest share with Birr 183.8 million. Interest Expense, General Expense, and Other Expenses, respectively,shared 34%, 28% and 2% of the total expenses of the fiscal year.

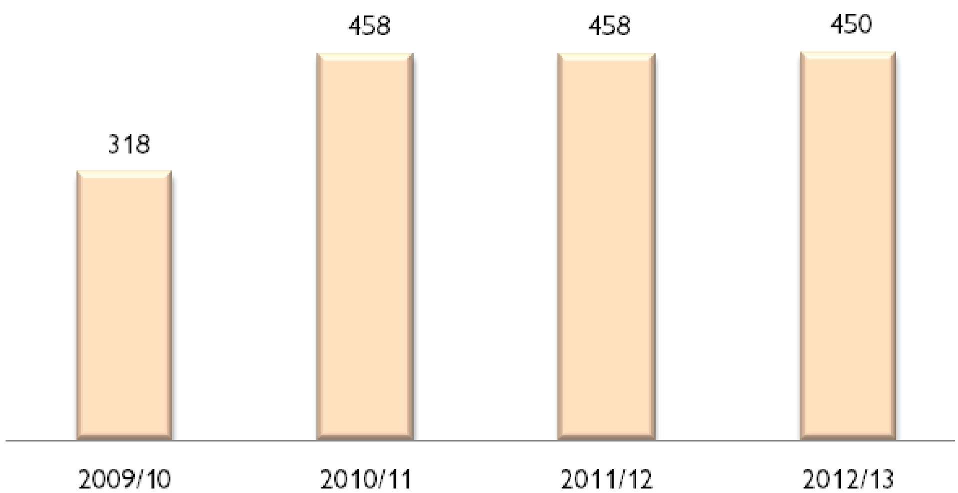
Fig.9: Composition of Expenses



2.5. Profit Analysis

During FY 2012/13, the banking sector in general faced certain formidable challenges which manifested in various different ways. Withstanding these challenges and with unreserved efforts exerted by our Shareholders, Board of Directors, together with the management team and staff, the Bank managed to realize a profit before tax of Birr 449.7 million, and somehow maintain preceding fiscal year's performance. As a result, the profit after tax as at end of the fiscal year become Birr 340 million.

Fig.10: Profit before Tax (in millions of Birr)



3. Business Development and Capacity Building

3.1. Branch Network

With the aim of reaching out to our esteemed customers at large and delivering improved services at a much convenient and reachable location, the Bank opened 13 new branches in economically and financially viable areas which brought the total number of branches to 76 as at the end of FY 2012/13. This branch expansion performance was, thus, gauged at about 21% up on the previous fiscal year's position of 63 branches. Some of these new Branches opened in the capital include Kidist-Mariam, Cathedral, and Summit area while some of those in outlying cities include Castle, Assosa, and Meki.

3.2. Human Resource

In order to cope up with the rapidly changing environment, the Bank has continued to hire competent and qualified staff and provide adequate on and off the job trainings. The Bank's total workforce as at end of the reporting period reached 2,400, mounting by about 8% up on the prior year's corresponding level of 2,230. In terms of composition, clerical staff constituted the largest share of 55% of the total staff of the Bank.

3.3. Information Technology

Having fully implemented the new CORE-Banking system, the Bank had been working on enhancing the stability and improving the efficiency of its technology systems and infrastructures. It has also implemented a disaster recovery system to ensure its utmost availability as well as security. In pursuit of round the clock customer service with an all-out efficiency, the Bank is fast moving toward launching new technology based products and services such as Internet and Mobile Banking in addition to its expanding payment card services in ATMs and PoS facilities. At the end of the 2012/13 fiscal year, the total number of ATMs and POS terminals reached 56 and 141, respectively.

3.4. Headquarters Building Construction

The Bank's Headquarters building construction project that was effectively commenced at the beginning of the FY 2012/13 has progressed well over 12%at the close of the fiscal year, successfully concluding the substructure engineering works. Finalization of this project and erection of the monumental 23 story building complex would certainly see a further boost in the Bank's image and financial strength apart from its massive significance in terms of easing the burden of rising office rental costs. Moreover, the Bank had been strongly working toward constructing regional office buildings in several major cities of the country.

4. Risk Management

Cognizant of the need to have in place a reliable and robust risk management framework that is commensurate with its size, complexity and diversity of business activities, the Bank has already developed a well thought out system by taking lessons from contemporary developments, international best practices and regulatory requirements with a view to ensure that overall organizational objectives are duly met through effective management of inherent risks. Essentially, the Bank's risk management framework encompasses the identification, measurement, control and monitoring of risks including credit, liquidity, market, strategic and operational risks.

Wegagen Bank firmly believes that existence of a proactive risk and compliance management culture would infuse the actions and words of all staff of the Bank. In this respect, effort is being invigorated to inculcate and implant such culture across the breadth and width of the Bank. Equally important, the Board as well as Senior Management of the Bank are actively executing their risk oversight functions by setting appropriate tone and defining the overall risk appetite of the Bank.

Moreover, in consideration of the growing need for compliance, the Bank strives to ensure that the overall business operations are pursued in conformity with applicable national and international laws, regulations and standards so that the Bank is duly protected from risk of non-compliance. As part of this endeavor, the Bank has given special emphasis in fighting against financing of terrorism and money laundering by placing appropriate frameworks and working procedures and ensuring effective implementation.

It is basically incumbent upon the Bank's Risk and Compliance Management Department, a function that has been independently organized in accordance with international and national standards, to ensure that the overall risk exposure is maintained within tolerable limits and in tandem with the strategic directions of the Bank. The Department, thus, has performed pertinent activities in line with its objectives, including but not limited to developing risk tolerance limits, producing various reports, conducting trainings and monitoring the level of risks.

The risk and compliance management function is recognized as an integral part of the corporate governance of the Bank corollary to its contribution towards increasing market competitiveness and business performance, optimizing risk management options and ultimately increasing shareholders' and public confidence at large.

5. 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 in this regard is to ensure existence of an appropriate internal control environment. The Bank's internal control environment provides for promoting accuracy & reliability in accounting & operating data; safeguarding the Bank's resources against waste, fraud & inefficiency; measuring the extent of operating Departments' compliance with existing policies & procedures, NBE directives, laws and regulations, and evaluating the overall efficiency of operating functions.

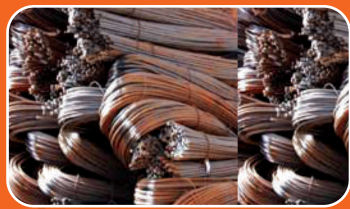
In this regard, special emphasis is given to legal requirements and directives, which normally are designed to promote good business practices acceptable to shareholders, depositors, borrowers and the society at large. This would ensure that every aspect of the banking operations is conducted with integrity and utmost professionalism.

FINANCING DIFFERENT SECTORS

2012/13 Annual Report

Agriculture

Import



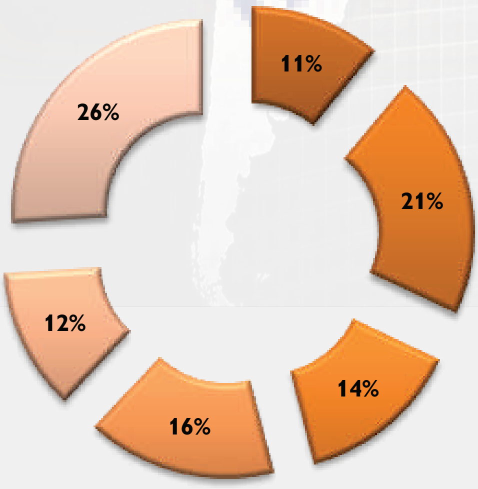
Transport

Manufacturing Industry

Whole Sales & Retail

Export

Sectoral Shares



*1 Advance against Export Bills
*2 Advance against Import Bills

B. EXTERNAL AUDITORS' REPORT

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የተፈቀደላቸው ኦዲተሮች
Tel: +251-011-466 11 57 Mobile +251-091-122-32-10
Tel: +251-011-466 15 36 Mobile +251-091-198-35-72
አዲስ አበባ ኢትዮጵያ

Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified
Accountants
P.O.Box: 8118
E-mail: deg.lem@ethionet.et
Addis Ababa, Ethiopia

AUDITORS REPORT TO THE SHAREHOLDERS OF WEGAGEN BANK SHARE COMPANY

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF

WEGAGEN BANK SHARE COMPANY

We have audited the accompanying balance sheet of Wegagen Bank Share Company as at 30 June 2013 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects, the financial position of the Bank as at 30 June 2013 and the results its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards applied on a consistent basis.

We have no comment to make on the Board of Directors Report relating to financial matters and pursuant to Article 375(2) of the Commercial Code of Ethiopia 1960; we recommend the approval of these financial statements.

Addis Ababa

October 10, 2013

Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified Accountants

WEGAGEN BANK SHARE COMPANY
BALANCE SHEET
AS AT 30 JUNE 2013

	Notes	Birr	Birr	2012 Birr
ASSETS				
Cash & Bank Balance with Local Banks	3	1,040,627,850		1,109,600,218
Reserve Account with National Bank of Ethiopia		361,105,527		578,388,527
Deposit with Foreign Banks	4	826,635,615		913,317,516
			2,228,368,992	2,601,306,262
Treasury Bills		209,517,840		189,563,760
Fixed time deposit with national bank of Ethiopia		337,283,000		-
NBE BILLS		2,358,984,000		1,597,430,000
Equity Investment	8	25,030,000		5,030,000
Loans & Advances	5	4,585,105,644		3,478,972,954
Stock of Supplies	6	45,121,740		25,302,769
Other Assets	7	208,563,928		99,295,001
Deferred Charges	9	35,139,290		41,160,133
Leasehold Land	10	9,714,740		16,429,505
Fixed Assets	11	350,974,228		292,664,405
			8,165,434,410	5,745,848,526
TOTAL ASSETS			10,393,803,401	8,347,154,788
LIABILITIES				
Deposits from Customers	12	7,148,158,883		5,428,296,887
Deposits from financial institutions	13	402,687,270		329,884,003
Margin Held on Letters of Credit		358,230,310		346,919,581
Other Liabilities	14	539,640,612		505,505,924
Provision for taxation	15	109,609,779		122,622,767
Lease Hold Land Payable	16	5,051,728		9,792,458
			8,563,378,581	6,743,021,620
CAPITAL AND RESERVES				
Share Capital - Paid Up	17	1,090,898,000		952,939,000
Share Premium	18	25,424,100		25,424,100
Legal Reserve	19	459,059,497		374,045,089
Retained Earnings	20	255,043,223		251,724,979
			1,830,424,820	1,604,133,168
TOTAL LIABILITIES & CAPITAL			10,393,803,401	8,347,154,788

Sebhat Negga
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
PROFIT AND LOSS STATEMENT
FOR YEAR ENDED 30 JUNE 2013

	Notes	Birr	Birr	2012 Birr
INCOME				
INTEREST INCOME	21		585,446,928	441,664,543
Less: INTEREST EXPENSE	22		(172,375,006)	(139,882,171)
NET INTEREST INCOME			413,071,922	301,782,372
Fees and Commission Income	23	116,719,888		122,769,950
Net Gains from Foreign Currencies holding & Dealings		252,702,874		233,060,866
Income from Card Payment		1,999,498		1,677,838
Other Income	24	13,220,882		5,522,312
			384,643,142	363,030,966
Net operating revenue			797,715,064	664,813,338
Provision for/reversal of doubtful loans and advances		(18,941,444)		45,471,675
Long outstanding debtors written off		(3,365,012)		(39,731)
			(22,306,456)	45,431,944
Net Interest and other income after provision for doubtful debts			775,408,608	710,245,281
EXPENSES				
Salaries and benefits		183,824,304		144,385,986
General administrative expenses	25	138,655,183		103,652,993
Visa Charges		2,536,712		3,196,730
Directors' fee	26	618,000		646,500
Audit Fee		107,000		107,000
			(325,741,199)	(251,989,209)
NET PROFIT BEFORE TAXATION			449,667,409	458,256,072
PROVISION FOR TAXATION			(109,609,779)	(122,622,767)
NET PROFIT AFTER TAX			340,057,631	335,633,305
LEGAL RESERVE			(85,014,408)	(83,908,326)
RETAINED EARNING			255,043,223	251,724,979
EARNING PER SHARE	33		330	378

Sebhat Negga
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Paid up capital Birr	Share premium Birr	Legal reserve Birr	Retained earnings Birr	Total Birr
Balance as at 30 June 2011	779,316,000	25,424,100	290,136,763	242,458,294	1,337,335,157
Dividend paid	-	-	-	(64,554,223)	(64,554,223)
Premium collected	-	-	-	-	-
Dividend capitalised	172,623,000	-	-	(172,623,000)	-
New shares issued	1,000,000	-	-	-	1,000,000
Net profit for the year	-	-	-	335,633,305	335,633,305
Transfer to dividend payable	-	-	-	(5,281,071)	(5,281,071)
Transfer to legal reserve	-	-	83,908,326	(83,908,326)	-
Balance as 30 June 2012	952,939,000	25,424,100	374,045,089	251,724,979	1,604,133,168
Dividend paid				(101,831,279)	(101,831,279)
Dividend capitalised 2010/2011	378,000	-	-	-	378,000
Dividend capitalised	137,581,000			(137,581,000)	-
Net profit for the year	-	-	-	340,057,631	340,057,631
Transfer to dividend payable	-			(12,312,701)	(12,312,701)
Transfer to legal reserve	-		85,014,408	(85,014,408)	-
Balance as 30 June 2013	1,090,898,000	25,424,100	459,059,497	255,043,223	1,830,424,820

WEGAGEN BANK SHARE COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013

			30/6/2012
CASH FLOW FROM OPERATING ACTIVITIES:	Birr	Birr	Birr
Profit before taxation		449,667,409	458,256,072
Adjustment for:			
Depreciation	22,136,070		17,357,748
Amortization	12,895,930		11,520,913
Gain on Fixed Assets Disposal	-		(234,572)
Doubtful debts recovered	(7,420,398)		
Adjustment on lease hold land	2,751,214		-
Adjustment on fixed Assets	-		351,339
Holding Gain on exchange rate fluctuation	(121,173,777)		(122,074,999)
Reversal of Provision for loans and advances held in previous years	18,941,444		(45,471,675)
Non credit debtors written off/Provision for non credit debtors	3,365,012		39,731
		(68,504,504)	(138,511,515)
Operating profit before working capital changes		381,162,905	319,744,557
Increase(Decrease) in Stock of supplies	(19,818,971)		(4,950,008)
Decrease(Increase) in other assets	(105,213,537)		(30,149,705)
Increase(Decrease) in loans and advances	(1,125,074,135)		(655,625,694)
Increase in deposits from customers	1,719,861,996		(305,419,967)
(Decrease) increase in deposits from financial institutions	72,803,267		106,117,023
Increase in Margin Held On Letters Of Credit	11,310,729		112,306,936
Increase in other liabilities	27,103,056		118,715,159
		580,972,405	(659,006,256)
Net cash flow from operating activities		962,135,310	(339,261,699)
Taxation:			
Profit Tax Paid		(122,622,767)	(134,852,023)
		839,512,543	(474,113,722)
CASH FLOW FROM INVESTING ACTIVITIES:			
Fixed assets acquired	(80,445,895)		(210,846,036)
Deferred Expenditures Paid	(6,875,087)		(16,088,611)
Proceeds from sale of fixed assets	-		234,572
Collection/(purchase of treasury bills)	(19,954,080)		(189,563,760)
Fixed time deposit with NBE	(337,283,000)		
Purchase of NBE Bills	(761,554,000)		(697,543,000)
Investment in other companies' shares	(20,000,000)		(5,030,000)
Net cash used in investing activities		(1,226,112,063)	(1,118,836,835)
Financing Activities			
Shares issued	-		1,000,000
Dividend Paid	(106,734,349)		(68,988,781)
Leasehold Obligation paid	(777,179)		(917,008)
Net cash used in financing activities		(107,511,528)	(68,905,789)
Holding gain on Exchange Rate fluctuation		121,173,777	122,074,999
NET DECREASE IN CASH AND CASH EQUIVALENTS		(372,937,269)	(1,539,781,347)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR		2,601,306,262	4,141,087,609
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR		2,228,368,992	2,601,306,262

1. ESTABLISHMENT

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 63 branches throughout the country and office for international money transfer companies operating under the Bank's agency in Ethiopia.

2. 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 Stand ("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 recognize 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) 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 loses. 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 classified 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 t 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

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.

Fees and commissions income arise on services provided by the bank are recognized as income when up on provision of services.

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.

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 form Addis Ababa City Administration for the period of 90 years on which it is constructing its future Headquarters building. The cost of the lease hold land will be amortized over the remaining lease period once the construction of the building is completed and put into use.

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

		2012
	Birr	Birr
Cash on hand-Local currency	535,132,075	497,236,923
Cash on hand-Foreign currency	23,121,291	68,160,265
Cash on hand-ATM	17,953,105	5,814,086
Deposits with domestic banks	155,919,517	223,458,868
NBE payment & settlement account	308,501,862	314,930,076
	1,040,627,850	1,109,600,218

4 DEPOSIT WITH FOREIGN BANKS

		2012
	Birr	Birr
Correspondent bank accounts	826,635,615	806,813,535
Fixed deposits	-	106,503,981
	826,635,615	913,317,516

5 LOANS & ADVANCES

		2012
	Birr	Birr
a) By maturity		
Within 12 months	1,158,989,685	1,000,225,524
After 12 but before 24 months	473,533,389	663,489,249
After 24 months	3,057,618,528	1,865,504,239
	4,690,141,602	3,529,219,012
Add: loans and advances under litigation	-	36,455,626
	4,690,141,602	3,565,674,639
Less: provision for loans and advances	(105,035,959)	(86,701,684)
	4,585,105,644	3,478,972,954

b) By sector

		2012
	Birr	Birr
Agriculture	28,522,095	10,648,914
Building construction	166,488,489	185,765,748
Manufacturing	564,455,325	634,376,977
Hotel and tourism	430,649,490	258,194,033
Wholesale and retail	828,645,377	505,500,916
Health services	16,669,686	12,385,521
Transport vehicle	551,745,322	417,175,075
Miscellaneous domestic trade	128,145,332	108,472,156
Advance against import bills	-	2,068,944
Staff loans	17,025,073	14,540,861
Consumer loans	130,758	132,029
Automobile loans	15,132,892	19,049,345
Export	526,767,661	421,484,339
Import	988,164,211	608,445,249
Construction bridge loan	223,951,311	164,437,574
Mortgage loans	69,418,516	56,172,355
Transport loans	42,535,982	33,735,935
Personal loans	17,671,094	14,561,998
Loans under litigation	-	36,455,626
Special staff loans	74,022,991	62,071,043
	4,690,141,603	3,565,674,638
Less: Provision for loans and advances	(105,035,959)	(86,701,684)
	4,585,105,644	3,478,972,954

6 STOCKS OF SUPPLIES

		2012
	Birr	Birr
Negotiable instruments	1,384,076	1,954,181
Check books	654,163	1,043,487
Stationery	6,028,516	4,664,211
Bank forms	3,843,423	3,110,783
Travelers' cheque	5,424,997	1,464,466
Memorial coins	359,200	360,100
Fixed assets in store	22,283,648	7,643,546
EMV Visa cards	3,528,400	3,528,965
Pin mailers	434,402	434,402
Private label cards	49,794	49,795
Revenue stamp	10,971	11,391
Others	1,120,149	1,037,443
	45,121,740	25,302,770

7 OTHER ASSETS

		2012
	Birr	Birr
Prepayment and deposits	65,136,484	52,919,280
Receivable from NBE	21,439	1,873
Staff receivable	103,011	48,491
Accrued income receivables on NBE Bills	29,927,990	15,288,573
Receivable from Africa Insurance	2,015,935	1,194,255
Adjustment and refund account	818,107	836,832
Assets awaiting sale	10,701,651	3,097,279
Receivable from branches under formation	11,521,735	5,606,655
Receivable from Kah Express Ltd	3,817,615	2,170,688
Visa settlement receivable	2,498,594	150,282
Western union	40,987,968	4,454,959
Inter-branch balances	1,575,746	2,094,153
Uncleared effects -foreign	549,498	3,299,516
Receivable from Head office units	10,984	238,456
Ethiopian Great Renaissance Dam contribution	135,793	2,513,768
Money Gram Int.money transfer	7,769,334	2,925,935
Penalty receivable on bounced checks	-	4,290
Charges on travelers checks	79,450	19,131
Others	39,123,024	22,811,654
	216,794,357	119,676,072
Less provision for doubtful debts	(8,230,429)	(20,381,070)
	208,563,928	99,295,002

8 EQUITY INVESTMENT

	Birr
Eth.Switch S.C	5,030,000
Raya Brewery S.C	20,000,000
	25,030,000

9 DEFERRED CHARGES

COST

	Opening balance Birr	Addition Birr	Final balance Birr
Card Payment System -ATM	19,969,212	2,458,061	22,427,273
Core banking and data migration	37,635,353	4,417,026	42,052,380
	57,604,565	6,875,087	64,479,652
AMORTIZATION			
Card Payment System -ATM	8,917,362	4,485,455	13,402,816
Core banking & data migration	7,527,071	8,410,476	15,937,547
	16,444,432	12,895,930	29,340,363
NET BOOK VALUE	41,160,133		35,139,290

The current year addition comprises of VAT paid on foreign technical charges of Birr 6,446,292

10 LEASEHOLD LAND

The bank has obtained a leasehold land with a plot area of 2,254 sqm from Addis Ababa City administration, Land Development and Administration Authority on Nehassie 13 1997 E.C for a lease period of 90 years .The balance has been arrived at as follows:

	Birr
Balance brought forward	16,429,505
Offset against obligation under leasehold land	(6,714,765)
	9,714,740

11 PROPERTY, PLANT AND EQUIPMENT

	Balance on 1/7/2012 Birr	Additions Birr	Balance on 30/06/2013 Birr
COST			
Premises	4,882,001	-	4,882,001
Motor vehicles	68,476,553	7,523,894	76,000,447
Computer and accessories	72,613,981	12,528,886	85,142,867
Office and other equipment	30,686,445	7,822,476	38,508,921
Office furniture and fittings	30,149,037	10,254,389	40,403,426
Acquired property	621,766	-	621,766
Construction in progress	167,438,729	42,316,249	209,754,978
	374,868,512	80,445,895	455,314,407

DEPRECIATION

Premises	903,908	244,100	1,148,008
Motor vehicles	37,335,892	8,896,728	46,232,620
Computer and accessories	19,757,259	6,975,590	26,732,849
Office and other equipment	11,082,769	3,134,089	14,216,858
Office furniture and fittings	13,026,067	2,854,473	15,880,541
Acquired property	98,215	31,088	129,303
	82,204,109	22,136,070	104,340,179
NET BOOK VALUE	292,664,403		350,974,228

12 DEPOSITS FROM CUSTOMERS

12.1 Payable on Demand

		2012
	Birr	Birr
Private sector	2,444,985,009	2,043,254,959
Public agencies and enterprise	2,130,052	3,006,827
Regional governments	3,955	3,955
Cooperatives and associations	17,667,523	10,320,890
Non-resident accounts-foreign currency	133,797,115	106,074,964
Non-transferable Birr account-non residents	6,107,087	16,712,580
Transferable Birr account-non residents	8,441,276	7,120,723
Resident foreign currency account	6,900,027	4,876,551
Zero balance account	343	343
NOW account	45,998,663	36,430,714
Special demand deposits	245,165,438	9,218,305
Retention account	57,075,247	24,568,340
ECX payment and settlement account	35,825,998	35,220,567
	3,004,097,733	2,296,809,718

12.2 Saving Deposits

		2012
	Birr	Birr
Private sector	3,511,774,606	2,525,851,127
Cooperatives and association	86,443,203	80,575,706
Children trust fund	4,655,771	3,290,151
Special savings	5,973,958	5,786,124
Diaspora account	91,344	38,890
Provident fund	266,293,825	222,534,378
Non-interest bearing	97,266,040	27,548,254
Public agencies and enterprises	426,476	28,424
Private institution employees pension fund	63,147	-
	3,972,988,369	2,865,653,054

12.3 Term deposits		2012
	Birr	Birr
Private sector	100,098,205	158,594,833
Public agencies and enterprises	70,974,576	107,239,281
	171,072,781	265,834,114
TOTAL DEPOSITS WITH CUSTOMERS	7,148,158,883	5,428,296,887

13 DEPOSITS FROM FINANCIAL INSTITUTIONS

		2012
	Birr	Birr
Payable on demand	28,688,328	32,743,920
Saving deposits	13,932,672	7,369,577
Fixed time deposits	360,066,270	289,770,506
	402,687,270	329,884,003

14 OTHER LIABILITIES

		2012
	Birr	Birr
Cashiers' payment order	264,642,225	267,795,687
Blocked current account	38,136,015	24,675,274
Unearned revenue	6,447,091	7,420,216
Accrued Interest on saving and deposits	13,363,033	13,905,202
Provision for annual leave	20,460,103	15,711,815
Old drafts payable	26,341,475	25,536,929
Local transfer payable	17,512,528	33,897,508
Payable to International money transfer agents	40,141,687	2,964,128
Provision for bonus	22,000,000	14,282,020
Exchange payable to NBE	22,953,098	28,740,766
Deposits for guarantees issued	7,146,163	16,017,918
Miscellaneous payable	39,171,056	44,417,971
Taxes and stamp duty charges	81,629	1,067,120
Service charges payables	6,378,289	46,527
Dividend payable	12,312,701	5,281,071
Foreign transfer payable	-	79,106
Guarantee fee payable	709,967	527,871
Staff payable	33,634	29,837
Court case	1,222,485	2,416,467
Income tax payable	25,544	44,148
Accrued charges	109,400	197,524
Pension payable	2,487	820
Directors' fee payable	450,000	450,000
	539,640,612	505,505,925

15 PROVISION FOR TAXATION

				2012
		Birr	Birr	Birr
a	**Profit before tax**	449,667,409		458,256,072
	Add: Depreciation for reporting purpose	22,136,070		17,318,711
	Donation and contribution	5,000		-
	Debtors written off	3,365,012		39,732
	Entertainment	360,822		263,107
			475,534,313	475,877,622
	Less: Depreciation for tax purpose 14(b)below	(28,626,704)		(26,093,498)
	Interest earned on treasury bills	(9,517,971)		(2,228,379)
	Interest earned on NBE bills	(59,526,581)		(37,628,505)
	Interest on fixed time deposit with NBE	(3,077,130)		-
	Interest earned on foreign bank deposits net of tax	(190,577)		(671,336)
	Bad debts recovered	(9,229,421)		(513,348)
	Taxable profit		(110,168,384)	(67,135,066)
			365,365,928	408,742,557
	Provision for taxation		109,609,779	122,622,767
	Balance brought forward	122,622,767		134,852,023
	Settlement during the year	(122,622,767)		(134,852,023)
			-	-
			109,609,779	122,622,767

b DEPRECIATION FOR TAX PURPOSE

	Premise & acquired properties	Computers & accessories	Other business assets	Total
	Birr	Birr	Birr	Birr
Balance brought forward	5,503,767	33,363,416	58,791,438	
Current year addition	-	12,528,886	25,600,760	
Depreciation base	5,503,767	45,892,302	84,392,199	
Tax allowances 5%,25% & 20%	(275,188)	(11,473,076)	(16,878,440)	(28,626,704)
Depreciation base carried forward	5,503,767	34,419,227	67,513,759	

16 OBLIGATION UNDER LEASEHOLD LAND

	Birr	
Balance brought forward	9,792,458	
Settlement during the year	(777,179)	
offset against leasehold land	(6,714,765)	
Accrued interest	2,751,214	
	5,051,728	

17 PAID UP CAPITAL

		2012
	Birr	Birr
Balance brought forward	952,939,000	779,316,000
Add: New shares issued	-	1,000,000
Capitalized dividend 2010/11	378,000	172,623,000
Capitalized dividend 2011/12	137,581,000	-
	1,090,898,000	952,939,000

18 SHARE PREMIUM ACCOUNT

		2012
	Birr	Birr
Balance brought forward	25,424,100	25,424,100
Premium on new shares issued	-	-
	25,424,100	25,424,100

19 LEGAL RESERVE

		2012
	Birr	Birr
Balance brought forward	374,045,089	290,136,763
Current year transfer	85,014,408	83,908,326
	459,059,497	374,045,089

20 RETAINED EARNINGS

		2012
	Birr	Birr
Balance brought forward	251,724,979	242,458,294
Capitalized dividend	(137,581,000)	(172,623,000)
Dividend paid in cash	(101,831,279)	(64,554,223)
Dividend transferred to liability	(12,312,701)	(5,281,071)
Net profit of the year	255,043,123	251,724,980
	255,043,223	251,724,979

21 INTEREST INCOME

		2012
	Birr	Birr
Interest on loans and advances	513,134,669	401,136,323
Treasury bills	9,517,971	2,228,379
Interest on fixed time deposits with NBE	3,077,130	-
National Bank of Ethiopia bills	59,526,581	37,628,505
Interest on deposits with foreign banks	190,577	671,336
	585,446,928	441,664,543

22 INTEREST EXPENSE

		2012
	Birr	Birr
Saving and deposits	143,474,303	114,255,397
Fixed time deposits	27,542,407	25,221,854
Special demand deposits	1,358,296	404,920
	172,375,006	139,882,171

23 COMMISSION, FEES AND CHARGES

		2012
	Birr	Birr
Letter of credit	52,664,000	61,299,986
Letter of guarantees issued	43,234,254	33,696,580
Service charges-local	1,087,244	963,773
Local transfer and others	19,734,389	26,809,611
	116,719,888	122,769,950

24 OTHER INCOME

		2012
	Birr	Birr
Rebates	905,878	697,742
Swift charges	854,068	700,313
Rent	151,129	139,293
Gain on disposal of old assets	264,604	234,572
Cash surplus	74,454	42,334
Estimation fee	515,564	476,865
Correspondent charges	-	3,313
Bad debts recovered	9,229,421	513,348
Sundries	1,225,764	2,714,532
	13,220,882	5,522,312

25 GENERAL AND ADMINISTRATIVE EXPENSE

		2012
	Birr	Birr
Office rent	44,295,774	33,524,939
Printing and stationery	7,669,220	7,999,349
Communication	6,013,201	7,036,806
Fuel and lubricants	3,991,190	3,349,386
IT support charges	6,502,354	285,153
Advertising and publicity	7,804,865	5,643,873
Repair and maintenance	5,167,549	3,429,647
Insurance	3,897,920	3,403,093
Electricity and water	1,078,277	1,013,029
Membership subscription	365,227	393,150
Entertainment	360,822	263,107
Wages	331,325	329,767
Inauguration	7,126	185,592
Depreciation	22,136,070	17,318,711
Amortization	12,895,930	11,520,913
Cleaning supplies	484,779	520,417
Transportation	2,446,447	1,250,516
Guest house expense	148,071	23,040
License and inspection fee	26,960	10,750
Perdiem & travel	2,524,639	1,299,818
Leased line for computerization	2,183,622	2,313,719
Donation and contribution	5,000	-
Renovation	70,094	51,518
Correspondent charges	532,024	305,155
Money transfer charges	1,647,711	365,025
Fixed assets costing below birr 1000	678,479	530,507
Legal	6,589	175,044
Motor vehicle inspection	157,973	126,799
Municipality fees and taxes	135,441	144,130
Sundries	1,268,726	840,041
Interest paid on lease hold land	3,821,779	-
	138,655,183	103,652,993

26 DIRECTORS' FEE

		2012
	Birr	Birr
Board meeting allowance	168,000	196,500
Board remuneration	450,000	450,000
	618,000	646,500

27 CONTINGENT LIABILITIES AND COMMITMENTS

		2012
	Birr	Birr
Contingent liabilities		
Letter of Credit	746,646,944	811,978,646
Bank guarantees	956,513,224	906,529,132
	1,703,160,167	1,718,507,777

28 COMMITMENTS

		2012
	Birr	Birr
Undrawn loans and advances approved but not disbursed	652,726,601	303,473,763
Unutilized merchandise revolving facility and unutilized advances against export bills	358,027,725	79,176,343
Unutilized overdraft facilities	233,643,500	222,907,582
	1,244,397,826	605,557,688

29 MATURITIES OF ASSETS AND LIABILITIES

	Total	Within 6 months	From 6 months to 1 year	over 1 year
	Birr	Birr	Birr	Birr
ASSETS				
Cash and bank balances	2,228,368,992	2,228,368,992	-	-
Treasury bills	209,517,840	209,517,840	-	-
NBE bills	2,358,984,000	-	-	2,358,984,000
Fixed time deposit with NBE	337,283,000			337,283,000
Loans and advances	4,585,105,644	1,158,989,685	473,533,389	2,952,582,571
Socks and other assets	253,685,668	253,685,668	-	
Equity investment	25,030,000	-	-	25,030,000
Deferred expenditures	35,139,290	-	-	35,139,290
Leasehold land	9,714,740	-	-	9,714,740
Fixed assets	350,974,228	-	-	350,974,228

TOTAL ASSETS	10,393,803,401	3,850,562,184	473,533,389	6,069,707,828
LIABILITIES AND SHAREHOLDERS' FUND				
Customers deposit	7,148,158,883	7,148,158,883	-	-
Deposits in financial institutions	402,687,270	402,687,270	-	-
Other liabilities	539,640,612	539,640,612	-	-
Margin held on letters of credit	358,230,310	358,230,310	-	-
Obligation under leasehold land	5,051,728	-	388,590	4,663,138
Profit tax payable	109,609,779	109,609,779	-	-
Shareholders' fund	1,830,424,820	-	255,043,223	1,575,381,597
Total liabilities and shareholders' fund	10,393,803,401	8,558,326,853	255,431,813	1,580,044,735

30 RELATED PARTIES TRANSACTIONS

		2012
	Birr	Birr
Loans and advances	143,375,183	113,797,687
Customers' deposits	391,782,708	428,154,002
Guarantees issued	1,291,000	104,633,073
Interest income	13,835,102	12,912,947
Interest expense	4,661,194	1,390,749
	554,945,187	660,888,458

31 MEMORANDUM ACCOUNTS

		2012
	Birr	Birr
Loan and advances written off, kept in memo	47,020,634	50,009,782
Interest on non performing loans	25,124,909	27,379,846
IBC-acceptance & sight	39,336,391	54,447,587
OBC- own branches and other bank's city clearance	7,321,812	22,987,176
ODBC-sight	14,565,536	7,631,347
OBC-foreign	322,758	322,758
Stock of spare parts	17,886	56,651
Stock of travelers check	1,791,668	6,633,271
Money bag	9,234	7,092
Uncollected penalty charges on bounced cheques	799,367	506,249
Used furniture & equipment	125,582	87,772
	136,435,776	170,069,533

32. 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.

32.1 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. 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 5 to the financial statements.

32.2 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 29 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.

32.3 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.

32.4 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.

32.5 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.

33. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit after tax but before legal reserve amounting to Birr 340,057,631 (2012: birr 335,633,305) by the weighted average number of shares outstanding during the year of 1,031,646(2012:888,223)

34. COMPARATIVE FIGURES

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

Addresses of City Branches

No.	Branch	Fixed Line	Fax	P.O.Box
*	Head Office	011 5523800	011 5523520/21	1018
1	Abakoran	011 2781177/76	011 2781146	51177
2	Abinet Area	011 2780571/44	011 2780551	1018
3	Africa Avenue	011 6624772/69	011 6624770	1018
4	Africa Union	011 5547061/63	011 5547062	43186
5	Arada	011 1111074/75	011 1111676	1018
6	Beklobet	011 4663580/81	011 4663608	101841
7	Bole	011 5523524/ 011 5539569	011 5524455	1062/1110
8	Bole Medhanialem Area	011 6616135/36	011 6638968	713/1250
9	Bole Michael Area	011 6392043/07	011 6392024	1018
10	CMC Area	011 6479047/43	011 6479048	1018
11	Cathedral Area	011 1560002/60	011 1560010	1018
12	Gerji	011 6298141/14	011 6298118	737/1110
13	Gerji Sunshine Area	011 6290265/ 011 6290016	011 6290158	1018
14	Goffa	011 4655816/ 17	011 4654879	56810
15	Goffa Camp	011 4668784/ 011 4671174	011 4165166	1018
16	Gullele	011 2732016/17	011 2732022	1018
17	Habte Giorgis	011 1112972/ 011 1578496	011 1578499	24215
18	Haya Arat Area	011 6180677/ 011 6180784	011 6180734	180/1251
19	Hayahulet Area	011 6672428/ 011 6672414	011 6672448	24704/1000
20	ILRI	011 6459752/53	011 6459755	1018
21	Kality	011 4394285/86	011 4394284	180
22	Kality Maseltegna	011 4391109/ 011 4390668	011 4391120	1018
23	Kazanchis Area	011 5545670/71	011 5545665	1018
24	Kidist Mariam Area	011 1570029/33	011 1570259	31174
25	Lafto	011 4710028/29	011 4710009	1018
26	Merkato	011 2752867/ 011 2752119	011 2752799	1080
27	Mesalemia	011 2768611/ 011 2765154	011 2765142	26661
28	Meskel	011 5516652/ 011 5512728	011 5516834	27571/1000
29	Meskel Flower	011 4163760/ 011 4168005	011 4166189	1018
30	Military Tera	011 2134605/ 0112134597	011 2134609	186195
31	Sebara Babur Area	011 1570186/ 011 1570329	011 1570040	20493
32	Shala Menafesha Area	011 6189303/ 011 6632094	011 6630808	110705
33	Stadium	011 5580105/07	011 5580106	1018
34	Summit Area	011 6679001/ 011 6679022	0116679015	1018
35	T/Haymanot	011 1563813/12	011 1563811	56734
36	Wellosefer Area	011 4668006/93	011 4668098	1018
37	Weyra-Bethel Area	011 3492184/ 011 3495308	011 3495536	1018
38	Wuhalimat Area	011 6631518/17	011 6625150	170201
	Airport Forex Bureau	011 6650476	011 6298118	1018
	International Money Transfer Coordinating Office	011 6392033	011 6392024	1018

Outlying Branches

No.	Branch	Fixed line	Fax	P.O.Box
1	Adama	022 1119055/86	022 1126070	1900
2	Adigrat	034 4452866/ 034 4452790	034 4452745	237
3	Adwa	034 7714046/43	034 7714047	105
4	Agaro	047 2211031/50	047 2211499	404
5	Alamata	034 7740772/ 034 7740264	034 7740254	77
6	Asssosa	057 7751362/66	057 7751459	80
7	Axum	034 7753631/95	034 7753440	277
8	Bahir Dar	058 2202038/39	058 2202037	1125
9	Bishoftu	011 4371062/25	011 4371010	1721
10	Castle	034 4402689/79	034 4402697	1804
11	Dessie	033 1113788/89	033 1113790	1277
12	Dire Dawa	025 1111702/ 025 1110827	025 1110841	107
13	Edaga Mekele	034 4413666/22	034 4413748	1090
14	Endaselassie	034 4444117/31	034 4444051	275
15	Fasiledes	058 1260022/23	058 1260020	275
16	Gendawuha	058 3310009/ 058 3370010	058 3310010	19
17	Gondar	058 1114816/15	058 1114620	02
18	Hafet-Issa Area	025 1124699/ 025 1124699	025 1124675	249
19	Harar	025 6663623/ 025 6664622	025 6669819	1434
20	Hawassa	046 2202629/ 046 2204172	046 2205480	723
21	Hawelti	034 4419674/ 034 4419433	034 4419675	2141
22	Humera	034 4480005/07	034 4480006	38
23	Jijiga	025 7757628/ 025 7752057	025 7752058	491
24	Jimma Abajifar	047 1116393/05	047 1116301	1358
25	Kezira	025 1110285/ 025 1130371	025 1130412	107
26	Kombolcha	033 5510753/54	033 5510323	332
27	Meda Agame	034 4451785/94	034 4451788	237
28	Mehal Adama	022 1112280/ 022 1112283	022 1112285	1422
29	Mekelle	034 4408933/34	034 4403269	930
30	Meki	022 1181246/ 022 1181227	022 1180137	53
31	Metema Yohannes	058 2311138/39	058 3310278	19
32	Shashemene	046 1103468/66	046 1103469	623
33	Shire	034 4442165/2424	034 4442229	116
34	Tog Wajaale	025 8820033/32	025 8820034	1301
35	Tulu Bollo	011 3420064/57	011 3420065	15
36	Weliso	011 3411984/1617	011 3410187	415
37	Wukro	034 4430373/ 034 4430683	034 4430643	176
38	Yirgachefe	046 3320553/ 046 3320410	046 3320552	118

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