WEGAGEN BANK, S. C.

2013/14 Annual Report

Your Partner in Development

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Annual Report 2013/14

Contents

❖ VISION

"Becoming 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

- Outstanding customer service;
- Integrity, honesty and loyalty;
- Effective, efficient and expanding operations;
- Strong capital and liquidity position;
- Prudent lending;
- Fair and objective employment practices;
- Commitment to comply with the spirit and letter of the law;
- Being Socially Responsible Corporate Citizen

THE MANAGEMENT TEAM

Araya G/Egziabher
President/CEO

Kewser Rashid
V/P - Operations

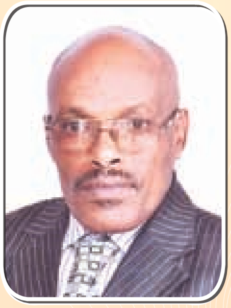
Woldegebriel Wedajo
V/P - Support Services

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
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 S.C for the financial year ended June 30, 2014.

The world economy has continued to recover although it remained sluggish and uneven across regions and countries. According to the IMF's World Economic Outlook, global economic activity has broadly strengthened in the first half of FY 2013/14, with much of the impetus coming from advanced economies. A major impulse into the global economic growth has come from the US where economic expansion was large enough to pull up exports from around the globe. Marred by weak investment and high flying unemployment, the Euro Zone had generally seen signs of recovery with Western Europe managing to come out of the recession earlier than the rest of the region. Economic growth of Japan was plausible accelerated by private investment and export growth. The economy of emerging and developing countries has increased modestly and growth picked up rather slightly due to continued weakness in investment, tighter monetary policy and infrastructural bottlenecks.

In the domestic environment, Ethiopia has continued to register robust economic growth while ensuring economic stability. According to MoFED, the country's economy grew by 10.3% in FY 2013/14. In the meantime, inflation was contained in single digit territory due to tighter monetary policy, government's subsidy of basic commodities and lower global commodity prices. Nevertheless, export performance was hardly impressive with its year-on-year growth staying below expectations as per GTP target. According to data obtained from Ethiopian Revenue and Customs Authority, the country's total value of merchandise export totaled USD 3.2 billion in FY 2013/14, growing slightly by 4.7%. A fall in the prices of major export commodities in the international market and decline in the production of some of the export commodities were among the major factors behind low performance in exports.

In FY 2013/14, the banking industry continued to face both challenges and opportunities. NBE Bills purchase and its twin requirement sanctioning long-term loan disbursements remained enforced during the year. Escalating operating expenses particularly related to office rent, human resources, and IT infrastructure had been other challenges. High national economic growth coupled with improvements witnessed in infrastructural facilities and especially in the telecom sector and rural electrification programs have created conducive environment and opportunities for banks. In addition, the improving savings habit of the society which has been growing every year had also been a remarkable opportunity for banks.

For our Bank, this last fiscal year had been an important period of capacity building in which various strategic initiatives were concluded while others were started. The Bank has strived to embrace emerging opportunities as well as withstand constraining challenges broad-mindedly and innovatively. Overall, the Bank maintained healthy and stable growth by undergoing strategic changes and pursuing compliant operations. It has realized a profit before tax of Birr 413.8

million maintaining return on assets (ROA) and on equity (ROE) at 3% and 16%, respectively, as earnings per share stood at Birr 261. Its total assets reached Birr 11.5 billion growing by 11% year-on-year while its total capital reached Birr 2.1 billion, up by 17%. Meanwhile, total deposits of the Bank stood at Birr 8.4 billion swelling by 11%. Total loans and advances due from private sector reached Birr 4.6 billion while loans due from government in the form of NBE Bills reached Birr 3 billion. Hence, total loan portfolio of the Bank reached Birr 7.6 billion registering an 8% growth. The Bank was also able to maintain Non-Performing Loans ratio at 2.7% which is well below the maximum regulatory requirement.

In an effort to broaden its product base, enhance customer experience and improve organizational effectiveness, the Bank stepped up new product development and organizational efficiency activities. In line with this, the Bank completed all development works and got approval from NBE to launch Mobile and Internet Banking. The Bank is also in the preparation to launch Agent Banking services for which extensive works have already been started by a dedicated team of experts. Moreover, feasibility study and a business plan have already been conducted and subsequent activities of developing the various policy and procedures is well underway to launch Interest Free Banking services. Another area in which the Bank has seen successful performance was the progress in the construction of its new Headquarters building complex as well as its Service and Organizational Restructuring projects. All structural work of the Headquarters building has been completed and other remaining works are well under progress. With respect to the restructuring project, redesigning work processes, consultant selection for subsequent critical phases and change management programs have been completed.

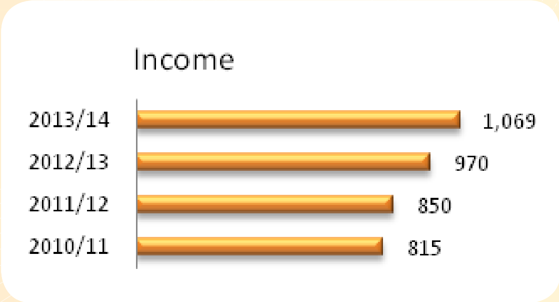
Looking forward, global economic recovery is expected to pick in the upcoming year. According to IMF's World Economic Outlook, the world economic growth forecast is to reach 3.8% in 2014 and 2.9% in 2015. The national economy is also expected to continue to register double digit GDP growth and a stable single digit inflation. In the banking sector, stiffer competition is bound to prevail particularly in resource mobilization and efficient operations. Tighter regulation is also expected to rein over the upcoming year which demands diligent management.

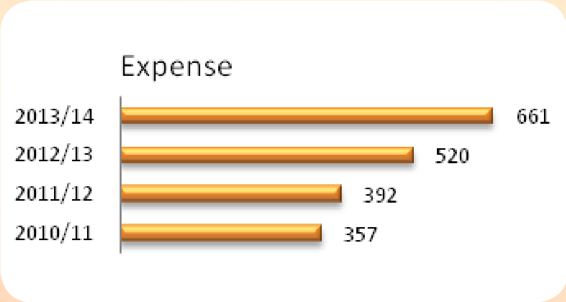
Finally, I would like to extend my sincere gratitude to our esteemed customers who have counted on our Bank as their development partner and chosen to work with us. I would also like to express my thanks to our shareholders, fellow board directors, the management team and entire staff, as well as regulators and those in government for their valuable support.

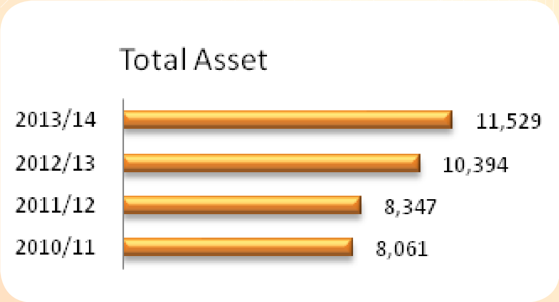
Sebhat Negga
Chairperson,
Board of Directors

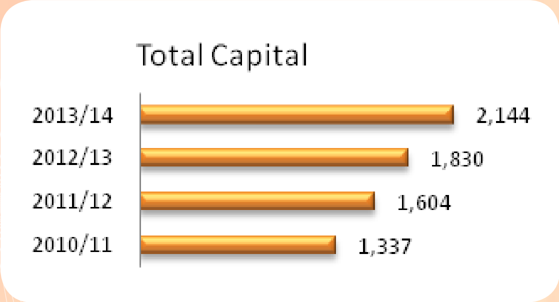
Performance Highlights

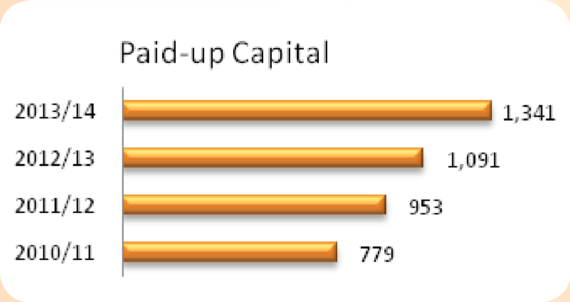
(in millions of Birr)

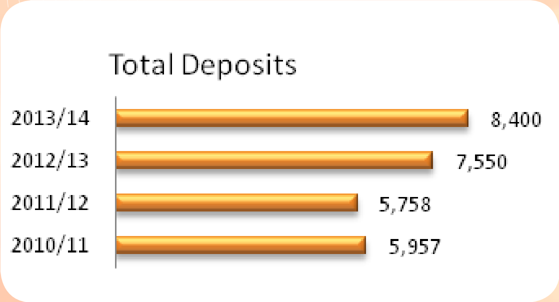


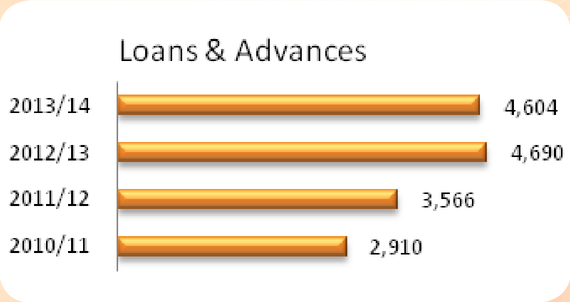


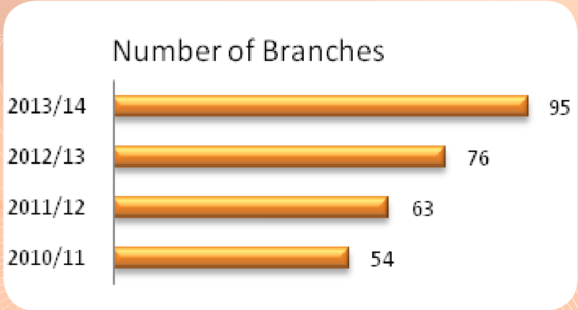


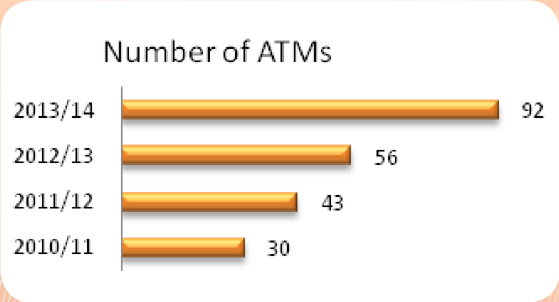










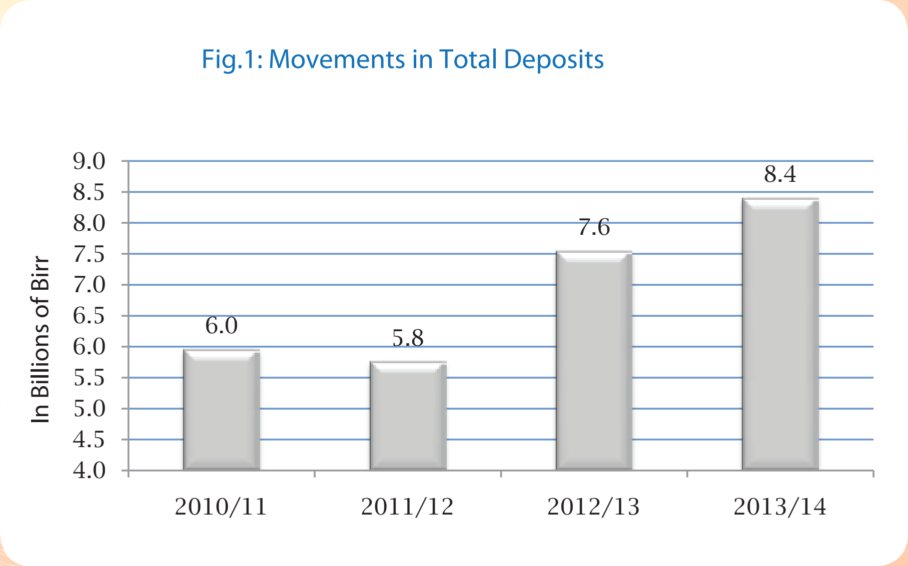


A. Report of the Board of Directors

1. Operational Performance

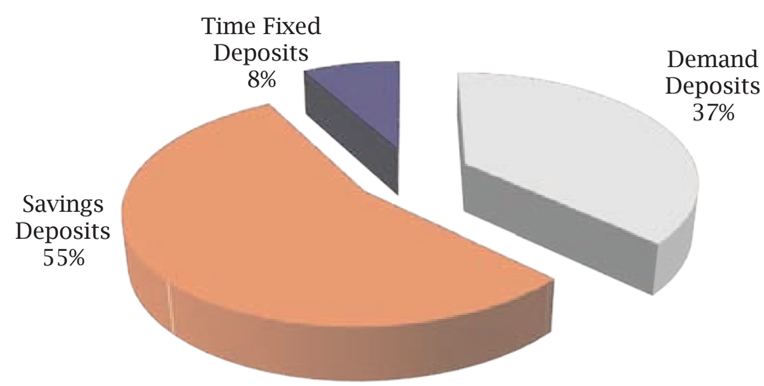
1.1. Deposits Mobilization

Despite stiff competition over resource in the banking industry, total deposits of the Bank had leaped forward remarkably to a new height and strode past the 8 billion mark. Growing by 11% year-on-year, it reached Birr 8.4 billion as at June 30, 2014 The increase in the number of branches and other strategic initiatives together with utmost efforts exerted by the Bank's community were the main driving forces behind the registered growth in total deposits. There had also been significant growth in the number of accounts which rose by about 18% compared to preceding year figures.



In terms of composition, out of the total deposits balance of the Bank, Savings Deposits claimed the largest share (55%, Birr 4.7 billion). On a year-on-year comparison, it swelled by 17%, accounting for 37% of the total deposits and growing by 2% vis-à-vis last year's position. Demand Deposits stood at Birr 3.1 billion as at June 30, 2014. Likewise, Fixed Time Deposits grew by 20% to reach Birr 639 million and accounted for 8% of total deposits.

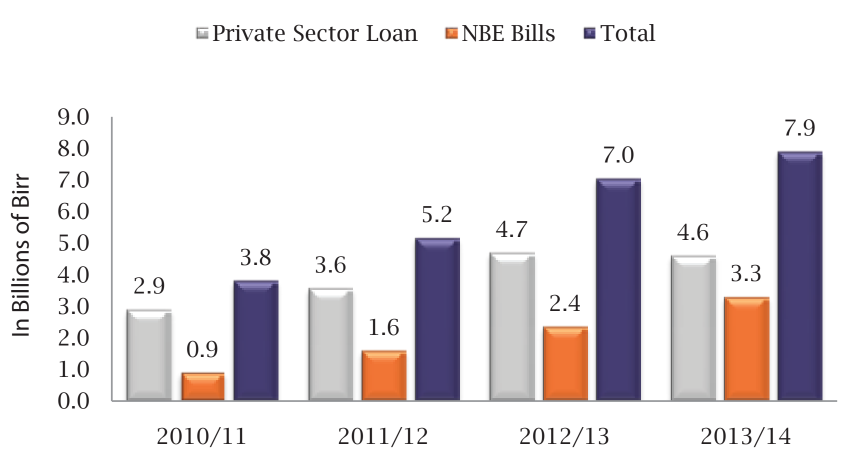
Fig.2: Composition of Total Deposits



1.2 Credit Operations

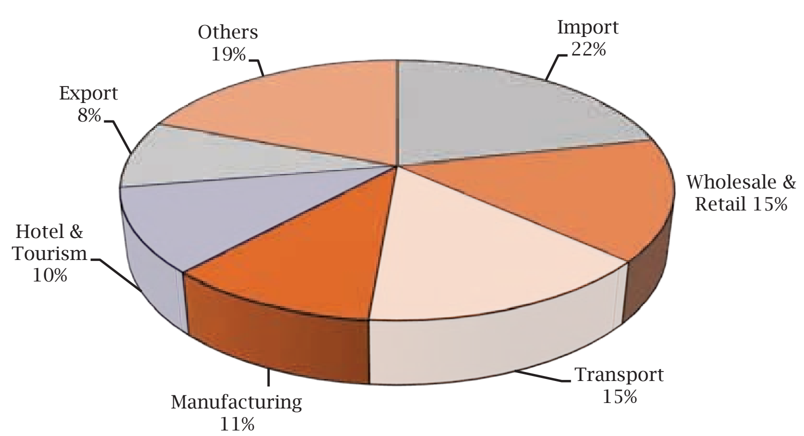
The Bank has continued to offer broad range of domestic financing to both private and priority sectors thereby playing its intermediary role in national development endeavors. Loans and advances due from private sectors reached Birr 4.6 billion, an outstanding balance almost similar to the preceding year's level. In the meantime, loans due from government in the form of NBE Bills stood at Birr 3 billion, growing by 29% upon last year's corresponding amount, Birr 2.4 billion. Consequently, total loans portfolio of the Bank reached Birr 7.6 billion, up by 8% year-on-year.

Fig.3: Trends of Loan Portfolio



Sectoral allocation of loans by economic sectors indicates that, Import sector took the largest proportion of loans and advances with 21.5% followed by Wholesale and Retail Trade(15.2%), Transport (14.7%), Manufacturing (10.5%), Hotel and Tourism (10.4%) and Exports (8.5%).

Fig.4: Composition of Loans & Advances



1.3 International Banking Operations

In the face of sluggish global economic recovery, the Bank was able to generate substantial income from international banking operations in FY 2013/14. A total revenue of Birr 367 million was earned from this business line which recorded a 12% growth over preceding year's performance of Birr 327 million. In effect, its share out of total income of the Bank stood at 34%, faintly growing year-on-year by one percentage points.

Annual Management Meeting

Correspondent Banks for Standard Settlement Instruction (SSI)

No.	Name of Banks	Currency	CITY	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	Standard Chartered Bank	USD	London	SCBLGB2L	017068107-50	C/A
9	Standard Chartered Bank	GBP	London	SCBLGB2L	017068107-01	C/A
10	Unicredito Italiano SPA	EUR	Millan	UNCRITMM	0995 8850600	C/A
11	ING Belgium SA/NV (formerly BBL)	EUR	Brussels	BBRUBEBB	301-0105758-12-EUR	C/A
12	Natexis Banques Populaires	EUR	Paris	CCBPFRPP	FR7630007999990607920000019EUR	C/A
13	Bank OF Africa Mer-Rouge (Credit Agricole - Banque Indosuez Mer Roug)	USD	Djibouti	MRINDJJD	1008205965800002	C/A
14	Banque pour Le Commerce ET Industrie Mer Rouge	USD	Djibouti	BCIMDJJ	09590015547001USD	C/A
15	Nordea Bank, Denmark a/s	DKK	Copenhagen	NDEADKKK	5000013858	C/A

2. Financial Performance

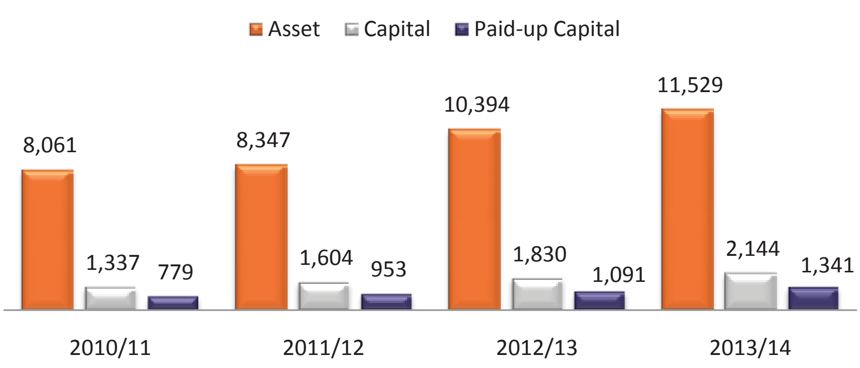
2.1 Asset Expansion

Total assets of the Bank reached Birr 11.5 billion at the end of FY 2013/14 growing by 11% year-on-year and mainly driven by growth registered in Cash and Bank Balances, NBE Bills, Stock and Fixed Assets. Out of the total assets of the Bank, Net Loans and Advances took the lion's share of 39% followed by NBE Bills (26%) and Cash and Bank Balance (16%). By means of exercising strong and proactive risk management practices, the Bank was able to keep commendable levels of asset quality and achieve a Non-Performing Loans reading of 2.6% which is well below the maximum prudential threshold set by the NBE.

2.2 Capital Growth

Total capital of the Bank as the sum of its Paid-up Capital, Legal Reserve, Share Premium and Retained Earnings stood at Birr 2.1 billion, growing by 17% over Birr 1.8 billion of the preceding year balance. Claiming 63% of the total capital and growing by 23% year-on-year, the Paid-up Capital reached Birr 1.3 billion as at the end of FY 2013/14.

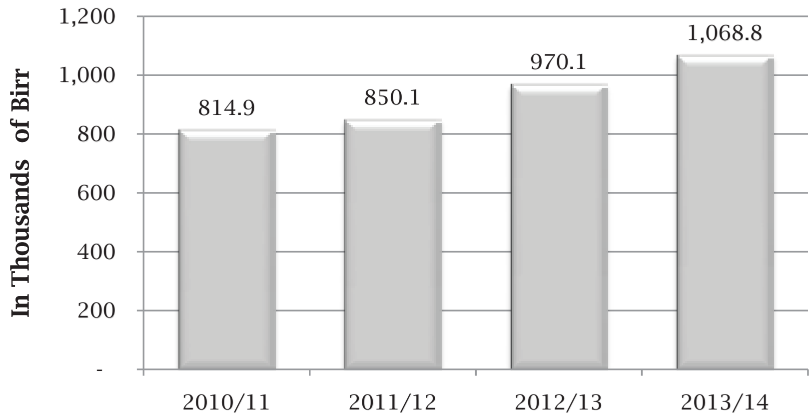
Fig.5: Asset, Paid up & Total Capital
(in millions of Birr)



2.3 Income

Despite a challenging operating environment, the Bank registered impressive growth in terms of revenues which was able to comfortably cross the Birr one Billion mark for the first time. The Bank earned gross revenue of Birr 1.1 billion, up by 10% over the previous year's level of Birr 970.1 million. The increase in total income was attributable to growth recorded in Interest Income, Service Charge and Commission Income, and Gains from Foreign Currency Revaluations.

Fig 6: Trends of Total Income

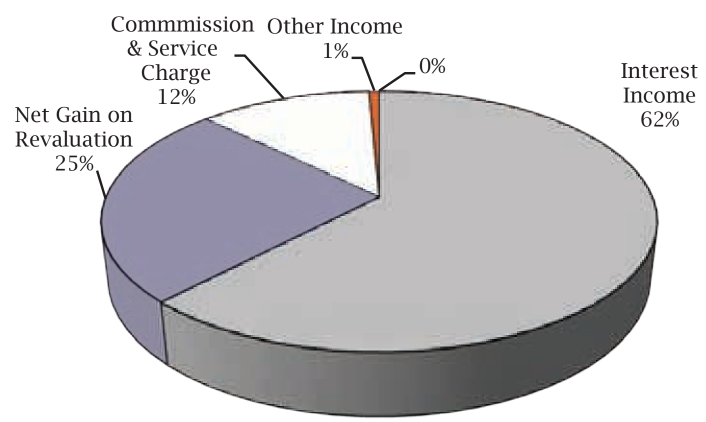


Shareholders' Annual General Assembly

Award Ceremony to Partner International Money Transfer Companies

A look at the composition of income, Interest Income was the largest contributor accounting for 62% of the total income earned followed by Gains on Foreign Currency Revaluation (25%), and Service Charge and Commission Income (12%).

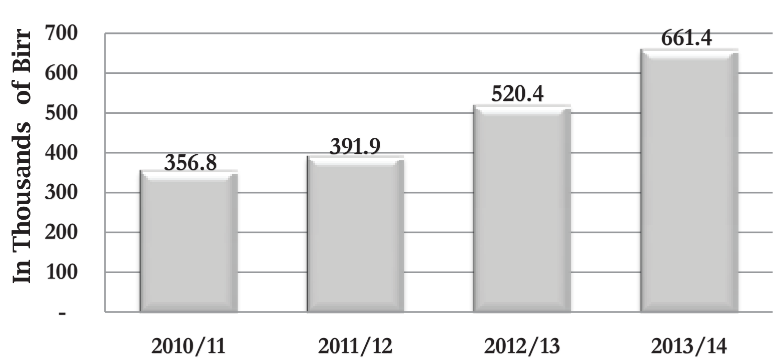
Fig.7: Composition of Incone



2.4 Expenses

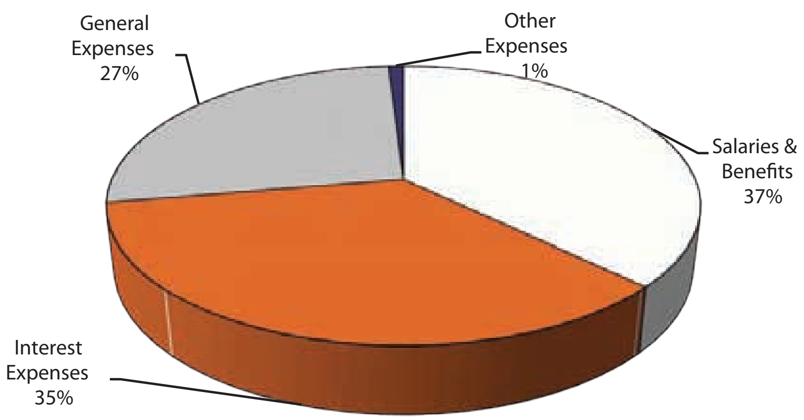
The Bank incurred Birr 661.4 million of expenses as at June 30, 2014. As compared with preceding year's same period spending of Birr 520.4 million, it soared by 27%. The recorded rise in total expenses was driven by substantial increases witnessed in Interest Expense, Employee Salaries & Benefits, General Expense and Other Expenses.

Fig.8: Trends of Total Expense



Accounting for 37%, Employee Salaries and Expenses was the major expense item followed by Interest Expense which sliced up 35%. General expenses which included rentals, maintenance, etc claimed 27% of the total expense incurred during the year under review.

Fig.9: Composition of Expenses



2.5 Profit

The Bank concluded the fiscal year by realizing a profit before tax of Birr 413.8 million which fell by about 8% compared to corresponding figure for the preceding year. Returns on assets (ROA) and equity (ROE) were maintained at 3% and 16%, respectively, while earnings per share (EPS) stood at Birr 261.

Fig.10: Trends of Profit before Tax

3. Business Development and Capacity Building

3.1 Branch Network Expansion

In a bid to enhance its presence across the country and get closer to its customers, the Bank has continued to open new branches though out the length and breadth of the country. In line with this, 19 new full-fledged branches were opened in FY 2013/14. Hence, the total number of branches was raised from 76 a year ago to 95 as at end of year, showing a growth of 25%. Among these new branches, seven were opened in Addis Ababa while the remaining twelve were opened in regional cities and towns.

3.2 Alternative Banking Services

The Bank has been exerting relentless efforts to introduce alternative ways of banking particularly focusing on technology-based banking with aspiration of creating convenience for customers, enhancing efficiency and creating new revenue sources for the Bank. In this regard, Card Banking using ATM and POS has already been in palace quite a while ago and as a result, the number of ATM and POS terminals reached 92 and 153 as at June 30, 20104, respectively. In addition to expanding Card Banking services, the Bank has engaged on several other activities to launch additional alternative banking channels and services such as Mobile and Internet and Agency Banking. It has finalized all development works and got approval from NBE to launch Mobile and Internet Banking. With regard to Agency Banking, various preliminary exercises were completed and matters related to technology selection and preparing the necessary documentation are well in progress.

3.3 Human Resources

The Bank has continued to invest in human capital to ensure all employees are competent enough and well equipped to discharge their roles. In line with this, the Bank has organized several training programs and availed it to employees drawn from various capacities. Moreover, it has also been sponsoring education fees of its employees who attend studies in various universities and colleges. As at June 30, 2014, the total number of staff of the Bank including six contract employees, reached 2,777 of which 960 (34.6%) were female.

3.4 Service and Organizational Restructuring

Guided by its five-year strategic plan which prescribes the need for comprehensive bank restructuring as a vital input and capacity in its effective implementation, as well as upholding the overriding need to achieve operational excellence and respond to increasing demands from customers and stakeholders, Wegagen Bank SC has been actively engaged and undergone massive Service and Organizational Restructuring work.

The Bank has shaken off its old functionally oriented work processes, organization systems, and structures and moved away to a contemporary and process based work flows and structures which is believed to bring about significant achievements in enhancing customer service, creating operational efficiency and introducing check and balance practices. The structural and process changes are based on detailed existing system studies as well as best practice benchmarks that are customized to harmonize with the Bank's size, nature, and complexity.

Organizational Restructuring Sessions

3.5 Banking Technology

Having fully implemented the new CORE-Banking system, the Bank has been working on enhancing its stability, security and functionality. To this effect, it has fully completed the implementation of a Disaster Recovery System. On the other hand, Mobile Banking, Internet Banking as well as back office modules such as Anti Money Laundering were also finalized while work is in progress for the remaining components in order to broaden the functionality of the system.

3.6 Headquarters Building Construction

The Bank's Headquarters building construction project can be taken as one of the areas in which the Bank has seen a fairly successful progress and performance. All structural works of the building have been completed and constructing wall and laying sub drainage system work is in progress. It is noted that this level of construction progress corresponds to a 39% of completion from the entire work.

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 system by taking lessons from contemporary developments, international best practices and regulatory requirements with a view to ensure that overall organizational objectives area dully 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 action and words of all staff of the Bank. In this respect, efforts are 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 framework 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 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 functions 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 shareholder's an 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 responsibilities bestowed in this regard are to ensure existence of an appropriate internal control environment. The Bank's internal control environment provides for promoting accuracy and reliability in accounting and operating data; safeguarding the Bank's resources against waste, fraud and inefficiency; measuring the extent of operating Departments' compliance with existing policies and producers, 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

Agriculture

Import

Manufacturing Industry

Construction

Transport

Export

B. EXTERNAL AUDITORS' REPORT

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Getachew Kassaye & Co.
Chartered Certified Accountants

Tel. 011 551 37 11 011 551 17 08
011 551 74 47 011 551 72 76
Fax. 251 11 551 02 20

P.O.Box 1432
ADDIS ABABA
ETHIOPIA

INDEPENDENT AUDITOR'S 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, 2014, set out on pages 3 to 24, which have been prepared under the accounting policies set out on page 8.

DIRECTOR'S 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.

AUDITOR'S 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.

ጌታቸው ካሣዬና ጓደኞቹ P.O. Box 1432 አዲስ አበባ - ኢትዮጵያ Addis Ababa - Ethiopia GETACHEW KASSAYE & CO.

ጌታቸው ካሣዬ እና ጓደኞቹ
Getachew Kassaye & Co.
Chartered Certified Accountants

OPINION

5. In our opinion, the financial statements represent fairly the financial position of the Bank as at June 30, 2014, and its profit and cash inflows for the year then ended and are prepared in accordance with International Financial Reporting Standards.

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

GETACHEW KASSAYE & Co.
CHARTERED CERTIFIED ACCOUNTANTS

P.O. Box 1432
Addis Ababa - Ethiopia
GETACHEW KASSAYE & Co.

Addis Ababa
October 10, 2014

WEGAGEN BANK SHARE COMPANY
BALANCE SHEET
AS AT JUNE 30, 2014

	Notes	Birr	2013 Birr
ASSETS			
Cash and bank balances with local banks	3, 2h	1,869,270,044	1,040,627,850
Reserve with National Bank of Ethiopia		416,105,527	361,105,527
Deposits with foreign banks	4, 2g	720,815,450	826,635,615
Treasury bills-NBE			209,517,840
Fixed Time Deposit with NBE			337,283,000
NBE Bills	5	3,039,782,000	2,358,984,000
Equity Investment	6	29,030,000	25,030,000
Loans and advances	7, 2d	4,527,528,687	4,585,105,644
Stocks of supplies	8	31,636,961	45,121,740
Other assets	9	321,050,168	208,563,928
Deferred charges	10,2i	25,789,682	35,139,290
Leasehold land	2j	9,714,740	9,714,740
Property, plant and equipment	11, 2e	538,046,654	350,974,228
TOTAL ASSETS		11,528,769,913	10.393,803,401
LIABILITIES			
Deposits from customers	12	8,026,269,740	7,148,158,883
Deposits from financial institutions	13	358,841,566	402,687,270
Other liabilities	14	522,940,921	539,640,612
Margin held on letters of credits		376,096,432	358,230,310
Provision for taxation	15	95,354,134	109,609,779
Leasehold land payable		5,051,728	5,051,728
TOTAL LIABILITIES		9,384,554,521	8,563,378,581
CAPITAL AND RESERVES			
Paid up capital	16	1,341,291,000	1,090,898,000
Share Premium	17	25,424,100	25,424,100
Legal Reserve	18	538,669,696	459,059,497
Retained Earnings	19	238,830,596	255,043,223
		2,144,215,392	1,830,424,820
TOTAL CAPITAL, RESERVES AND LIABILITIES		11,528,769,913	10,393,803,401

Sebhat Nega
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	NOTES	Birr	2013 Birr
INCOME			
Interest income	20, 2f	659,985,510	585,446,928
Less :Interest expense	21	(230,458,974)	(172,375,006)
Net interest income		**429,526,536**	**413,071,922**
Fees and commission income	22, 2f	125,435,474	116,719,888
Net gains from dealing in foreign currencies	2g	273,276,502	252,702,874
Other income	23	7,512,649	13,220,882
Income from card payment		2,552,850	1,999,498
		408,777,475	**384.643,142**
Net operating income		**838,304,011**	**797,715,064**
Provision for/reversal of doubtful loans and advances	2d	5,982,728	(18,941,444)
Provision for/reversal of doubtful debts other than loans and advances		788,656	(3,365,012)
		6,771,384	(22,306,456)
Net interest and other income after provision for doubtful debts		**845,075,395**	**775,408,608**
LESS: - EXPENSES			
Salaries and benefits		243,395,593	183,824,304
General and administrative	24	181,556,013	138,655,183
Visa Charge		5,520,121	2,536,712
Directors fee	25	636,239	618,000
Audit fee		172,500	107,000
		431,280,466	**325,741,199**
PROFIT BEFORE TAXATION		413,794,929	449,667,409
LESS: PROVISION FOR TAXATION	15	(95,354,134)	(109,609,779)
NET PROFIT AFTER TAXATION		**318,440,795**	**340,057,631**
TRANSFER TO LEGAL RESERVE		(79,610,199)	(85,014,408)
NET PROFIT AFTER TAX AND LEGAL RESERVE		**238,830,596**	**255,043,223**
EARNING PER SHARE OF BIRR 1,000	30	**261**	**330**

Sebhat Nega
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
STATEMENT CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Paid up Capital Birr	Share Premium Birr	Legal Reserve Birr	Retained Earnings Birr	Total Birr
Balance as at July 1, 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 capitalized 2010/2011	378,000				378,000
Dividend capitalized	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 at June 30, 2013	**1,090,898,000**	**25,424,100**	**459,059,497**	**255,043,223**	**1,830,424,820**
Dividend paid				(102,154,314)	(102,154,314)
Dividend capitalized 2012/2013	4,123,755			-	4,123,755
Dividend capitalized 2013/2014	140,699,245			(140,699,245)	-
Additional shares issued	105,570,000				105,570,000
Net profit for the year				318,440,795	318,440,795
Transfer to dividend payable				(12,189,664)	(12,189,664)
Transfer to Legal Reserve	-	-	79,610,199	(79,610,199)	-
Balance as at June 30, 2014	**1,341,291,000**	**25,424,100**	**538,669,696**	**238,830,596**	**2,144,215,392**

Sebhat Nega
Board Chairperson

for Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

			2013
	Birr	Birr	Birr
Cash In Flow from Operating Activities:			
Profit before taxation		413,794,928	449,667,409
Depreciation	30,281,614		22,136,070
Amortization	12,895,931		12,895,930
Less Gain on Disposal of Fixed Asset	(2,374,597)		-
Doubtful debt recovered	-		(7,420,398)
Adjustment on leasehold land	-		2,751,214
Adjustment on fixed asset	116,543		-
Holding gain on exchange rate fluctuation	-		(121,173,777)
Reversal of provision for loans advances held in previous years	(5,982,728)		18,941,444
Non credit debtors written off/provision for non credit debtors	(788,656)		3,365,012
		34,148,107	(68,504,504)
Operating profit before change in working capital		447,943,035	381,162,905
(Increase)/decrease in stocks of supplies	13,484,779		(19,818,971)
(Increase)/ decrease in other assets	(112,040,693)		(105,213,537)
(Increase)/decrease in loans and advances	63,559,685		(1,125,074,135)
Increase in deposits from customers	878,110,858		1,719,861,996
Increase/(decrease) in deposits from financial institution	(43,845,704)		72,803,267
Increase in margin held on letter of credits	17,866,122		11,310,729
Increase /(decrease) in other liabilities	(23,298,000)		27,103,056
		793,837,047	580,972,405
Net Cash In Flow from Operating Activities		**1,241,780,082**	**962,135,310**
INVESTING ACTIVITIES			
Acquisition of fixed assets	(217,470,584)		(80,445,895)
Proceeds Disposal of Fixed Asset	2,678,925		-
Proceed disposal of asset awaiting for sale	409,656		-
Collection/(purchase) of treasury bills	209,517,840		(19,954,080)
Fixed time deposit with NBE	337,283,000		(337,283,000)
Purchase of NBE Bills	(680,798,000)		(761,554,000)
Investment in other companies shares	(4,000,000)		(20,000,000)
Deferred expenditures paid	(3,546,323)		(6,875,087)
		(355,925,486)	(1,226,112,063)

TAXATION			
Profit tax paid		(109,609,779)	(122,622,767)
FINANCING ACTIVITIES			
New shares issued	(3,546,323)		-
Equity dividend paid	(103,992,788)		(106,734,349)
Lease hold land obligation	-		(777,179)
		1,577,212	(107,511,528)
Holding gain on exchange rate fluctuation		-	121,173,777
Net Increase (decrease) in Cash and Cash Equivalents		**777.822,029**	**(372,937,269)**
Cash and cash equivalent at the beginning of the year		**2,228,368,992**	**2,601,306,262**
Cash and cash equivalent at the end of the year		**3,006,191,021**	**2,228,368,992**

Sebhat Nega
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. BACKGROUND

Wegagen Bank S. Co. was formed in Ethiopia in 1997 and is registered as a public share holding Company in accordance with the provision of the licensing and supervision of Banking Business Proclamation No. 84/94 and the Commercial Code of Ethiopia 1960. The Bank has a network of 95 branches throughout the country.

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.

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 are classified under this category.

iv) Doubtful

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

v) Loss

Non-performing loans or advances past due 360 days are 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 and 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 15)

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 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, 2014. 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 from Addis Ababa City Administration for the period of 90 years on which it is constructing its future head quarters 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 in to 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

		2013
	Birr	**Birr**
Cash on hand-local currency	603,461,935	535,132,075
Cash on hand-foreign currency	37,010,205	23,121,291
Cash on hand-ATM	11,805,776	17,953,105
Deposits with domestic banks	105,095	155,919,517
NBE payment and settlement account	1,095,004,494	308,501,862
Issue account	121,882,539	-
	1,869,270,044	**1,040,627,850**

4. DEPOSIT WITH FOREIGN BANKS

		2013
	Birr	**Birr**
Correspondent bank accounts	720,815,450	826,635,615
	720,815,450	**826,635,615**

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. EQUITY INVESTMENT

		2013
	Birr	**Birr**
Eth. Switch S.CO	5,030,000	5,030,000
Raya Brewery S.CO	24,000,000	20,000,000
	29,030,000	25,030,000

7. LOANS AND ADVANCES

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

		2013
	Birr	**Birr**
Within 12 months	1,140,148,538	1,158,989,685
After 12 months but within 24 months	262,564,479	473,533,389
After 24 months	3,182,865,590	3,057,618,529
	4,585,578,607	**4,690,141,603**
Add:-Loans under litigation	18,836,955	-
	4,604,415,562	**4,690,141,603**
Less:-Provision for loans and advances	76,886,875	105,035,959
	4,527,528,687	**4.585,105,644**

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

		2013
	Birr	**Birr**
Agriculture	51,733,372	28,522,095
Building construction	164,346,411	166,488,489
Manufacturing	510,083,047	564,455,325
Hotel and tourism	479,920,337	430,649,490
Wholesale and retail	700,043,585	828,645,377
Health services	13,477,654	16,669,686
Transport vehicles	636,071,398	551,745,322
Miscellaneous domestic trade	103,609,345	128,145,332
Staff loans	24,776,130	17,025,073
Consumers loans	9,087	130,758
Automobile loans	10,719,071	15,132,892
Export	389,538,897	526,767,661
Import	989,115,740	988,164,211
Construction bridge loans	215,365,123	223,951,311
Mortgage loans	128,061,002	69,418,516
Transport loans	36,605,685	42,535,982
Personal loans	24,899,733	17,671,093
Loans under litigation	18,836,955	-
Special staff loans	107,202,990	74,022,990
	4,604,415,562	**4,690,141,603**
Less: -Provision for loans and advances	76,886,875	105,035,959
	4,527,528,687	**4,585,105,644**

8. STOCKS OF SUPPLIES

		2013
	Birr	Birr
Negotiable instruments	3,157,864	1,384,076
Check books	666,710	654,163
Stationary	5,192,847	6,028,516
Bank forms	3,637,050	3,843,423
Travelers cheque	-	5,424,997
Memorial coins	344,800	359,200
Fixed assets in store	16,431,470	22,283,648
EMV Visa cards	1,209,438	3,528,400
Pin mailers	-	434,402
Private label cards	-	49,794
Revenue stamp	13,936	10,972
Others	982,846	1,120,149
	31,636,961	**45,121,740**

9. OTHER ASSETS

		2013
	Birr	Birr
prepayment and deposits	123,569,451	65,136,484
Receivable from NBE	23,493	21,439
Staff receivables	474,744	103,011
Accrued income receivables	36,250,222	29,927,990
Receivable from African Insurance	4,971,456	2,015,935
Adjustment and refund account	814,848	818,107
Assets awaiting for resale	16,178,966	10,701,651
Receivable from western union	62,174,199	40,987,968
Receivable from Head office unit	6,419	10,984
Receivable from branches under formation	4,796,840	11,521,735
Receivable from Kah Express Ltd	9,878,542	3,817,615
Visa settlement receivable	512,376	2,498,594
Inter-branch balances	-	1,575,746
Uncleared effect-foreign	-	549,498
Money Gram Int. money transfer	17,517,099	7,769,334
Ethiopian Great Renaissance Dam contribution	-	135,793
Charge on travelers cheques	-	79,450
Others	51,297,967	39,123,023
	328,466,622	216,794,357
Less: - Provision for bad debts	(7,416,454)	(8,230,429)
	321,050,168	**208,563,928**

10. DEFERRED CHARGES

	Balance 01/07/2013	Addition -	Balance 30/06/2014
	Birr	Birr	Birr
COST			
Card Payment System-ATM	22,427,273	-	22,427,273
Core banking and data migration	42,052,380	-	42,052,380
Master card project cost	-	3,546,323	3,546,323
	64,479,652	3,546,323	68,025,976
AMORTIZATION			
Card Payment System-ATM	13,402,816	4,485,455	17,888,271
Core banking and data migration	15,937,547	8,410,476	24,348,023
	29,340,363	12,895,931	42,236,294
NET BOOK VALUE	**35,139,290**		**25,789,682**

11. PROPERTY, PLANT AND EQUIPMENT

	Balance 01/07/13 Birr	Additions Birr	Adjustments Birr	Balance 30/06/14 Birr
COST				
Premises	4,882,001	-	-	4,882,001
Motor vehicle	76,000,447	21,672,415	1,847,146	95,825,716
Computer and accessories	85,142,867	26,460,761	6,555	111,597,073
Office and other equipment	38,508,921	15,466,261	41,964	53,933,218
Office furniture and fittings	40,403,426	13,332,416	68,024	53,667,818
Acquired property	621,766	-		621,766
Construction in progress:	209,754,978	140,538,731	-	350,293,709
	455,314,407	**217,470,584**	**1,963,689**	**670,821,301**
DEPRECIATION				
Premises	1,148,008	244,100	-	1,392,108
Motor vehicle	46,232,620	12,717,122	1,847,146	57,102,596
Computer and accessories	26,732,849	9,125,549	-	35,858,398
Office and other equipment	14,216,858	4,093,812	-	18,310,670
Office furniture and fittings	15,880,541	4,069,943	-	19,950,484
Acquired property	129,303	31,088	-	160,391
	104,340,179	**30,281,614**	**1,847,146**	**132,774,647**
NET BOOK VALUE	**350,974,228**			**538,046,654**

12. DEPOSITS FROM CUSTOMERS

	Birr	2013 Birr
Payable on Demand		
Private sector	2,474,721,033	2,444,985,009
Public agencies and enterprises	3,575,930	2,130,052
Regional governments	3,955	3,955
Cooperatives and associations	16,737,248	17,667,523
Non-resident accounts-foreign currency	127,362,746	133,797,115
Non-transferable Birr account-non resident	18,122,626	6,107,087
Transferable birr account	12,872,163	8,441,276
Resident foreign currency account	10,454,139	6,900,027
Zero balance account	52,209	343
Now account	127,241,003	45,998,663
Special demand deposit	151,470,376	245,165,438
Retention account	54,310,946	57,075,247
ECX payment and settlement account	33,286,823	35,825,998
	3,030,211,197	**3,004,097,733**
Saving deposit		
Private sector	4,004,073,144	3,511,774,606
Cooperatives and associations	119,323,106	86,443,203
Children trust fund	5,787,718	4,655,771
Special savings	11,872,537	5,973,958
Diaspora account	37,511	91,344
Provident fund	313,032,065	266,293,825
Non-interest bearing	178,874,123	97,266,040
Public agencies and enterprises	781,915	426,476
Private institution employees pension fund	141,557	63,147
	4,633,923,676	**3,972,988,369**
Term deposits		
Private sector	256,503,720	100,098,205
Public agencies and enterprises	103,631,147	70,974,576
Cooperatives	2,000,000.00	-
	362,134,867	**171,072,781**
	8,026,269,740	**7,148,158,883**

13. DEPOSIT FROM FINANCIAL INISTUTIONS

		2013
	Birr	Birr
Payable on demand	55,209,612	28,688,328
Saving deposit	29,683,023	13,932,672
Fixed time deposit	273,948,931	360,066,270
	358,841,566	**402,687,270**

14. OTHER LIABILITIES

		2013
	Birr	Birr
Cashier payment order	234,075,063	264,642,225
Blocked current account	12,097,315	38,136,015
Unearned revenue	2,950,977	6,447,091
Accrued interest on savings and deposits	22,594,756	13,363,033
Provision for annual leave	31,706,671	20,460,103
Old drafts payable	35,559,872	26,341,475
Local transfer payable	15,193,069	17,512,528
Payable to international money transfer agents	75,001,731	40,141,687
Provision for bonus	-	22,000,000
Exchange payable to NBE	15,656,501	22,953,098
Deposit for guarantees issued	12,007,684	7,146,163
Miscellaneous payable	26,780,213	39,171,056
Taxes and stamp duty charges	156,441	81,629
Service charges payables	22,633	6,378,289
Inter branch	422,876	-
Dividend payable	18,540,136	12,312,701
Guarantee fee payable	1,102,546	709,967
Staff payable	46,659	33,634
Court case	18,313,152	1,222,485
Income tax payable	55,455	25,544
Accrued charges	207,063	109,400
Pension payable	108	2,487
Directors fee payable	450,000	450,000
	522,940,921	**539,640,612**

Accrual for provision for bonus was not recognized during the period under review. However, payment in the amount of Birr 23,479,335 was subsequently made in September 2014.

15. PROVISION FOR TAXATION

a) Provision for taxation

	Birr
Balance as at July 1, 2013	109,609,779
Less: -Payments	109,609,779
Profit before tax	413,794,929
Add: -Non allowable expenses	
Depreciation in accordance with accounting policy	30,281,614
Entertainment	902,388
	31,184,002

Less: - Allowable expenses	
Depreciation in accordance with tax regulation 286/2002	(38,532,734)
Interest earned on Treasury Bills	(2,304,450)
Interest earned on Foreign Banks Deposits	(218,494)
Interest earned on NBE Bill	(80,168,884)
Interest on fixed time deposit	(5,904,763)
Bad debt recovered	(2,492)
	(127,131,817)
Taxable Profit	317,847,114
Provision for profit tax @ 30%	**95,354,134**

b) Depreciation for tax purpose

	Premise and acquired properties Birr	Computers and accessories Birr	Other business assets Birr	Total Birr
Balance brought forward	5,503,767	34,419,227	67,513,759	
Current year addition		26,460,761	50,471,092	
Current year Adjustment/disposal	-	(6,555)	(2,788,913)	
Depreciation base	5,503,767	60,873,432	115,195,938	
Tax allowance 5%,25%,20%	**275,188**	**15,218,358**	**23,039,188**	**38,532,734**
Depreciation base carried forward	5,503,767	45,655,074	92,156,750	

16. PAID UP CAPITAL

	Birr
Balance as at July 1, 2013	1,090,898,000
Add: -New shares issued	105,570,000
Capitalized dividend	144,823,000
	1,341,291,000

17. SHARE PREMIUM

	Birr
Balance as at July 1, 2013	25,424,100
Add: -Premium on New shares issued	-
	25,424,100

18. LEGALRESERVE

a) The detail is as follows

	Birr
Balance as at July 1, 2013	459,059,497
Add:-Transfer from Retained Earnings	79,610,199
	538,669,696

b) Twenty five percent of the net profit after taxation, is transferred to the 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

19. RETAINED EARNINGS

	Birr
Balance as at July 1, 2013	255,043,223
Less: - Capitalized Dividend	(140,699,245)
Dividend paid on cash	(102,154,314)
Dividend transferred to liability	(12,189,664)
Add: -Net profit for the year	238,830,596
	238,830,596

20. INTEREST INCOME

		2013
	Birr	**Birr**
Interest on loans and advances	571,388,919	513,134,669
Treasury bills	2,304,450	9,517,971
Interest on fixed time deposit with NBE	5,904,763	3,077,130
National bank of Ethiopia Bills	80,168,884	59,526,581
Interest on deposits with foreign banks	218,494	190,577
	659,985,510	**585,446,928**

21. INTEREST EXPENSE

		2013
	Birr	**Birr**
Savings deposits	179,640,535	143,474,303
Fixed time deposits	49,961,851	27,542,407
Special demand deposit	856,588	1,358,296
	230,458,974	**172,375,006**

22. COMMISSION, FEES AND CHARGES

		2013
	Birr	**Birr**
Letter of credit	74,089,805	52,664,000
Letter of guarantees issued	37,064,828	43,234,254
Service charges-local	885,461	1,087,244
Local transfer and others	13,395,380	19,734,389
	125,435,474	**116,719,888**

23. OTHER INCOME

		2013
	Birr	**Birr**
Rebate	765,719	905,878
Swift charge	1,865,836	854,068
Rent	89,720	151,129
Gain on disposal of old assets	2,374,597	264,604
Cash surplus	82,129	74,454
Estimation fee	472,086	515,564
Correspondent charges	578	-
Bad debts collected	2,492	9,229,421
Sundries	1,859,492	1,225,764
	7,512,649	**13,220,882**

24. GENERAL AND ADMINISTRATIVE EXPENSES

		2013
	Birr	Birr
Office rent	63,228,800	44,295,774
Stationery and printing	13,378,823	7,669,220
Communication	9,269,281	6,013,201
Fuel and lubricants	4,734,036	3,991,190
IT support charges	5,308,611	6,502,354
Advertising and publicity	6,639,329	7,804,865
Repair and maintenance	6,447,859	5,167,549
Insurance	6,277,270	3,897,920
Electricity and water	1,438,303	1,078,277
Membership subscription	369,536	365,227
Entertainment	902,388	360,822
Wages	447,048	331,325
Inauguration	160,336	7,126
Depreciation	30,281,614	22,136,070
Amortization	12,895,931	12,895,930
Cleaning supplies	679,438	484,779
Transportation	2,618,909	2,446,447
Guest house expense	24,743	148,071
License and inspection fee	19,500	26,960
Perdiem & travel	3,733,361	2,524,639
Leased line for computerization	4,064,355	2,183,622
Donation and contribution	-	5,000
Renovation	267,207	70,094
Correspondent charges	817,888	532,024
Money transfer charges	819,591	1,647,711
Fixed assets below Birr 1000	861,351	678,479
Motor vehicle inspection	207,215	157,973
legal	327,872	6,589
Municipality fees and taxes	263,583	135,441
Sundries	5,071,835	1,268,726
Interest paid on lease hold land	-	3,821,779
	181,556,013	**138,655,183**

25. DIRECTORS' FEE

		2013
	Birr	Birr
Board meeting allowance	186,239	168,000
Board Compensation	450,000	450,000
	636,239	**618,000**

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:-

		2013
	Birr	**Birr**
Contingent Liabilities		
Letter of credit	902,241,032	746,646,944
Bank guarantee	1,106,746,710	956,513,224
	2,008,987,742	1,703,160,167
Commitments		
Undrawn loans and advances approved but not disbursed	232,633,032	652,726,601
Unutilized merchandise revolving facility and unutilized advance against export bills	427,594,976	358,027,725
Unutilized overdraft facility	279,548,251	233,643,500
	939,776,259	1,244,397,826

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;

27. MATURITIES OF ASSETS AND LIABILITIES

a) The detail is as follows: -

	Total	Less than 6 months	From 6 months to one year	Over one year
	Birr	**Birr**	**Birr**	**Birr**
ASSETS				
Cash and bank balances	3,006,191,021	3,006,191,021		
NBE bills	3,039,782,000			3,039,782,000
Loans and advances	4,527,528,687		1,140,148,538	3,387,380,149
Other assets and stock supplies	352,687,129		352,687,129	
Deferred charges	5,789,682			5,789,682
Leasehold land	9,714,740			9,714,740
Equity investment	29,030,000			29,030,000
Fixed assets	538,046,654	-	-	538,046,654
Total Assets	**11,528,769,913**	**3,006,191,021**	**1,492,835,667**	**7,029,743,225**
LIABILITIES AND SHAREHOLDERS' FUND				
Customers' deposits	8,026,269,740	8,026,269,740		
Deposit in financial institutions	358,841,566	139,579,000	219,262,566	
Other liabilities	522,940,921		522,940,921	
Margin held	376,096,432	376,096,432		
Leasehold and payable	5,051,728		388,590	4,663,138
Profit tax payable	95,354,134	95,354,134		
Shareholders' funds	2,144,215,392	-	238,830,596	1,905,384,796
Total liabilities and shareholders' funds	**11,528,769,913**	**8,637,299,306**	**981,422,673**	**1,910,047,934**

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.

28. RELATED PARTY TRANSACTIONS

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

		2013
	Birr	Birr
Loans and advances at June 30, 2014	90,525,934	143,375,183
Customers' deposits at June 30, 2014	1,752,644,097	391,782,708
Guarantees issued/contingent liabilities	-	1,291,000
Interest income for the year	16,095,975	13,835,102
Interest expense for the year	3,363,990	4,661,194
	1,862,629,996	**554,945,187**

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 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 7 to the financial statements.

Liquidity Risk

Liquidity risk arises in the general funding activities of the Bank and the management of positions. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in appropriate time frame. The Bank has a reasonable funding base. Funds are raised mainly from customers' deposits. The maturity profile is monitored by management to ensure adequate liquidity is maintained Note 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 318,440,795 (2013:340,057,631) by the weighted average number of shares outstanding during the year of 1,218,325 (2013:1,031,646)

31. MEMORANDUM ACCOUNTS

		2013
	Birr	**Birr**
Loan and advance written off kept in memo	73,583,635	47,020,634
Interest on non performing loans	26,023,885	25,124,909
IBC-acceptance and sight	31,482,649	39,336,391
OBC-own branches and other bank's city clearance	7,380,909	7,321,812
Outward document bills for collection-sight	46,148,490	14,565,536
OBC-foreign	319,051	322,758
Stock of spare parts and other materials	8,301	17,886
Stock of travelers check	9,084	1,791,668
Money bags	10,014	9,234
Uncollected penalty charges on bounced checks	974,717	799,367
Used furniture and equipment	125,882	125,582
	186,066,617	**136,435,776**

32. 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	Agar	011 667 0436/011 667 0313	011 667 0429	1018
6	Arada	011 1111074/75	011 1111676	1018
7	Atlas Area	011 639 2083/91	011 639 2074	1018
8	Ayat Addebabay	011 6390044/28	011 639 0064	1018
9	Bambis Area	011 557 6343/58	011 552 4455	1018
10	Beklobet	011 4663580/81	011 4663608	101841
11	Bole	011 5523524/ 011 5539569	011 5524455	1062/1110
12	Bole Medhanialem Area	011 6616135/36	011 6638968	713/1250
13	Bole Michael Area	011 6392043/07	011 6392024	1018
14	Cathedral Area	011 1560002/60	011 1560010	1018
15	CMC Area	011 6479047/43	011 6479048	1018
16	Gerji	011 6298141/14	011 6298118	737/1110
17	Gerji Sunshine Area	011 6290265/ 011 6290016	011 6290158	1018
18	Goffa	011 4655816/ 17	011 4654879	56810
19	Goffa Camp	011 4668784/ 011 4671174	011 4165166	1018
20	Goffa Mebrat Hail	011 4673753/011 466 1545	011 4661926	1018
21	Gullele	011 2732016/17	011 2732022	1018
22	Habte Giorgis	011 1112972/ 011 1578496	011 1578499	24215
23	Haya Arat Area	011 6180677/ 011 6180784	011 6180734	180/1251
24	Hayahulet Area	011 6672428/ 011 6672414	011 6672448	24704/1000
25	ILRI	011 6459752/53	011 6459755	1018
26	Kaliti	011 4394285/86	011 4394284	180
27	Kaliti Maseltegna Area	011 4391109/ 011 4390668	011 4391120	1018
28	Kazanchis Area	011 5545670/71	011 5545665	1018
29	Kidist Mariam Area	011 1570029/33	011 1570259	31174
30	Lafto	011 4710028/29	011 4710009	1018
31	Lebu	011 4712756/71	011 4712202	1018
32	Megenagna	011 667 4016/12	011 667 3730	1018
33	Merkato	011 2752867/ 011 2752119	011 2752799	1080
34	Mesalemia	011 2768611/ 011 2765154	011 2765142	26661
35	Meskel	011 5516652/ 011 5512728	011 5516834	27571/1000
36	Meskel Flower	011 4163760/ 011 4168005	011 4166189	1018
37	Militarytera Area	011 2134605/ 0112134597	011 2134609	186195
38	Sebara Babur Area	011 1570186/ 011 1570329	011 1570040	20493
39	Shala Menafesha Area	011 6189303/ 011 6632094	011 6630808	110705
40	Stadium	011 5580105/07	011 5580106	1018
41	Summit Area	011 6679001/ 011 6679022	0116679015	1018
42	T/Haymanot	011 1563813/12	011 1563811	56734
43	Wellosefer Area	011 4668006/93	011 4668098	1018
44	Weyra-Bethel	011 3492184/ 011 3495308	011 3495536	1018
45	Wuhalimat Area	011 6631518/17	011 6625150	170201

Outlying Branches

No.	Branch	Fixed line	Fax	P.O.Box
1	Abyi Addi	034 4460503/ 034 4460313	034 4460987	12
2	Adama	022 1119055/86	022 1126070	1900
3	Addi Hawusi	034 4408431/39	034 4406598	1018
4	Adigrat	034 4452866/ 034 4452790	034 4452745	237
5	Adwa	034 7714046/43	034 7714047	105
6	Agaro	047 2211031/50	047 2211499	404
7	Alamata	034 7740972/ 034 7740264	034 7740254	77
8	Aleta Wondo	046 2240453/046 2240687	046 2241197	92
9	Asella	022 3318292/94	022 3318293	574
10	Asssosa	057 7751362/66	057 7751459	80
11	Atote-Hawassa	046 2125017/15	046 2125055	246
12	Axum	034 7753631/95	034 7753440	277
13	Bahir Dar	058 2202038/39	058 2202037	1125
14	Bishoftu	011 4371062/25	011 4371010	1721
15	Castle(Mekelle)	034 4402689/79	034 4402697	1804
16	Debre Birhan	011 6811803/011 6814872	011 6814665	1018
17	Dessie	033 1113788/89	033 1113790	1277
18	Dilla	046 3311105/046 3310120	046 3310119	1018
19	Dire Dawa	025 1124669/ 025 1111101	025 1110841	107
20	Edaga Mekele	034 4413666/22	034 4413748	1090
21	Endaselassie	034 4444117/034 4444113	034 4444051	275
22	Fasiledes(Gondar)	058 1260022/23	058 1260020	02
23	Gendawuha(Metema)	058 3310009/ 058 3310278	058 3310010	19
24	Gondar	058 1114816/15	058 1114620	02
25	Hafet-Issa Area(Dire Dawa)	025 1110285/ 025 1130371	025 1124675	249
26	Harar	025 6663623/ 025 6664622	025 6669819	1434
27	Hawassa	046 2202629/ 046 2204172	046 2205480	723
28	Hawelti (Mekelle)	034 4419674/ 034 4419433	034 4419675	2141
29	Humera	034 4480005/07	034 4480006	38
30	Illala Area	034 4406954/56	034 4408407	1688
31	Jijiga	025 7757628/ 025 7752057	025 7752058	491
32	Jimma Abajifar	047 1116393/05	047 1116301	1358
33	Kezira (Dire Dawa)	025 1110285/ 025 1130371	025 1130412	107
34	Kombolcha	033 5510753/54	033 5510323	332
35	Meyda Agame(Adigrat)	034 4451785/94	034 4451788	237
36	Mehal Adama	022 1112280/ 022 1112283	022 1112285	1422
37	Mekelle	034 4408933/34	034 4403269	930
38	Meki	022 1181246/ 022 1181227	022 1180137	53
39	Metema Yohannes	058 2311138/39	058 3310278	19
40	Mizan Aman	047 135 0066/98	047 1350059	222
41	Nekemte	057 6613068/81	057 6613065	377
42	Romanat Area	034 4406608/10	034 4408591	757
43	Sebeta	011 338 0359/66	011 3380351	292
44	Shashemene	046 1103468/66	046 1103469	623
45	Shire	034 4442165/2424	034 4442229	116
46	Tog Wajaale	025 8820033/32	025 8820034	1301
47	Tulu Bollo	011 3420064/57	011 3420065	15
48	Weliso	011 3411984/011 3411617	011 3410187	415
49	Wukro	034 4430373/ 034 4430683	034 4430643	176
50	Yirgachefe	046 3320553/ 046 3320410	046 3320552	118

Branch Network

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- በባንኩ ከሚገኝ አንዱ ሒሳብዎ ወደ ሌላው ሒሳብዎ እና ለሌሎች የባንኩ ደንበኞች ገንዘብ ማስተላለፍ
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- የሒሳብዎን መጠን ማወቅ
- አጭር የሒሳብ መግለጫ እና የውጭ ምንዛሪ ዋጋ ማግኘት ይችላሉ፡፡

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