WEGAGEN BANK, s. c.

2014/15 Annual Report

Your Partner in Development

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Wegagen at a Glance

Who We Are

Wegagen Bank S.C was established on June 11, 1997. It came into being thanks to 16 visionary founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised an initial capital of Birr 30 million. As at June 30, 2015, the paid up capital of the Bank reached Birr 1.5 billion. The number of Shareholders is now 2,280.

Vision

"To be one of the ten most reputable and competent banks in Africa by the year 2025."

Mission Statement

Our Mission is to:-

- Provide wide range of innovative and customer focused financial products and services.
- Employ state-of-the-art Information Technology with a view to boost operational excellence.
- Be the employer of choice by creating conducive working environment wherein employees achieve their career aspirations.
- Promote Corporate Social Responsibility, Good Governance and Compliance with applicable laws, rules & regulations.

Core Values

- Honesty, Integrity and Loyalty
- Service Excellence
- Professionalism
- Learning and Innovation
- Employee Satisfaction
- Respect and Dignity
- Social Responsiveness
- Good Corporate Governance
- Equal Employment Opportunity

Where We Ope rate

Wegagen Bank is currently operating throughout the country with a total of 116 Branches spread across the length & breadth of the Country. Its Headquarters together with 54 of its Branches are located in Addis Ababa, whereas 62 are located in different regional towns near and far.

The Management Team

Araya G/Egziabher
President/CEO

Woldegebriel Wedajo
VP, Resources

Wondifraw Tadesse
VP, Corporate Services

Assefa Tefera
Chief Operating Officer, Credit

G/Giorgis Hailu
Director, Risk & Compliance Management

Addis W/Cherkos
Director, Branch Operations

Yehwalashet Zewdu
Director, Control

Kefene Gurmu
Director, Legal Services

Tesfaye H/Michael
Manager, Engineering Services

Desaley Embza
Director,Customer Relationship Management

Yohannes Mengistu
Director, Material Resources & Facilities Management

WEGAGEN BANK S.C.

The Management Team

Haile G/Egziabher
Manager, Northern District Office

Robel Alemayehu
Director, E-Banking Services

Assefa Yeshanew
Director, Information Technology Application Management Services

Getshu Begashaw
Director, Treasury Management

Kindie Abebe
Director, Accounts & Reconciliation

Russome Mesghena
Director, Human Resources Management

Desalegn Assefa
Director, Corporate Strategies & Change Management

Yoseph Gezachew
Director, Credit Analysis & Portfolio Management

Fikiru W/Tinsie
Director, Marketing & Corporate Communications

Yeshanew Ayalew
Director, Information Technology Infrastructure Management Services

Tewodros Legesse
Director, International Banking

Message from Chairperson of the Board of Directors

On behalf of the Board of Directors and myself, I am honored to present the Annual Report of Wegagen Bank S.C for the fiscal year ended June 30, 2015, to esteemed customers, shareholders and other stakeholders of the Bank.

World economic growth has remained sluggish for much of the period in FY 2014/15 due mainly to the slow and uneven recovery witnessed across major developed nations and the moderate growth spelled in developing countries. The recovery in most developed economies was also characterized by instability and imbalances. Output levels in the Euro area and Japan remained below pre-crisis peaks despite encouraging improvements seen in the economies of the US and UK. In emerging market economies, the continued growth slowdown reflected the interplay of several factors including lower international commodity prices, tighter external financial conditions, structural bottlenecks and economic distress related to geopolitical factors. Growths in Sub-Saharan Africa remained robust in the reporting period but decelerated in the wake of the decline in oil and international commodity prices.

In the face of challenging global environment, the domestic economy has been growing by double digits over the past eleven years and by more than 10% on average in the first four years of GTP I period. According to MoFED, the Real GDP of the country grew by 10.2% in the FY 2014/15 in which the largest growth was recorded by industry sector followed by service and agriculture sectors. On top of sustaining double digit economic growth, the country was able to create stable economy by maintaining inflation rate at a single digit. On the downside, the export performance of the country was below government's expectation as well as previous year export performance on account of lower international commodity prices of export items at international market. On the other hand, the value of imported goods leaped by 7% over the preceding year feat totaling USD 15.8 billion.

Regarding the banking industry, competition over resources of both local and foreign currency has been intensified as banks are aggressively expanding their outlets both in Addis Ababa and regional towns, amid escalating office rental costs, which remains one of the challenges in the industry. Image building, branch expansion, investment on technology, diversifying service delivery channels, as well as human resource capability building are the major strategic areas in which banks are highly engaged to boost their market share and sustain growth. On a yet again another development, there have been persistent improvements in the saving habit of the general public which is supplemented by the aggressive branch expansion strategy pursued by banks.

Despite challenging and competitive banking environment, Wegagen Bank's performance in the reporting period can generally be remarked as commendable in terms of deposit mobilization, credit operations, and profit as compared to the plan targets as well as preceding year performance. Total deposits reached Birr 10.2 billion, growing by 21.7% (1.8 billion) over last year's corresponding period. It also surpassed the plan target by 1.6%. Total outstanding loans and advances reached Birr 6.2 billion, remarkably growing by 34.0% year-on-year. The Bank earned Birr 1.3 billion in revenues and incurred

Birr 873.7 million in expenses during the reporting period. It was, then, able to earn Birr 452.6 million in profits before tax, increasing by 9.4% year-on-year and achieving 99.4% of its planned target. The Return on Asset and Earning per share of our Bank stood at 2.6 % and 24.4%, respectively.

Aiming for growth and sustainability, we have been strategically expanding to existing and new markets. In the period under review, additional 21 branches were opened in Addis Ababa and regional towns, raising the total number of our branches to 116 of which 54 are City branches while 62 are regional, though the expansion endeavors have been challenged by soaring rental costs and stiff competition from participants in the sector in seizing prime locations. In diversifying products and services, our Bank has got approval from National Bank of Ethiopia to launch Interest Free Banking Service, and supporting the business line with an improved IT solution and infrastructure is progressing. Moreover, preparation is well underway to render agent banking services to our esteemed customers and the operation is expected to commence in the coming fiscal year. On a much more tangible development, construction of the Bank's 23-storey future Headquarters building complex has progressed well over 50% and finishing works have now been already started.

In the year under review, our Bank has finalized and successfully implemented the Service and Organizational Restructuring project with the aim of transforming our way of doing business and thereby bringing about efficiency and effectiveness across all operations. After passing through massive restructuring on existing core processes and structure that had been in place for a prolonged period of time, the Bank has implemented new organizational structure and systems which is believed to improve the organizational capability of the Bank to a great extent.

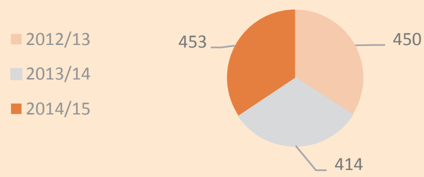
Looking ahead, the world economy according to IMF's economic environment forecast is projected to grow by 3.5% in 2015 and then hit 3.8% in 2016. Economic rebound in advanced economies will be the main driver for growth and the US will play the most important role. The Ethiopian economy continues to experience rapid, sustainable and stable economic growth in line with the county's vision to become middle income country by 2025. Regarding the banking sector, expectation are for continued stiff competition to prevail over resources in terms of both local and foreign currency as well as tighter regulation.

Finally, I would like to convey my sincere gratitude to our esteemed customers for choosing our Bank; to my fellow members of the Board of Directors, respected shareholders, management and entire staff for their unified effort, commitment and dedication to support our Bank; and to the National Bank of Ethiopia and other stakeholders for their support and partnership.

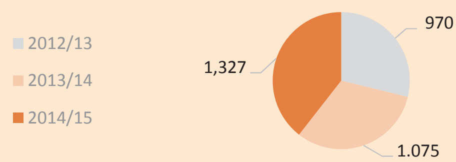
Sebhat Negga
Chairperson,
Board of Directors

Performance Highlights (in millions of Birr)

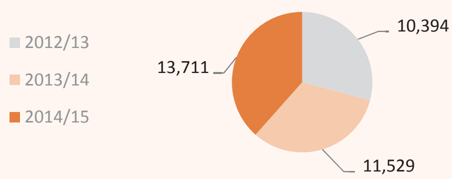
Profit before Tax



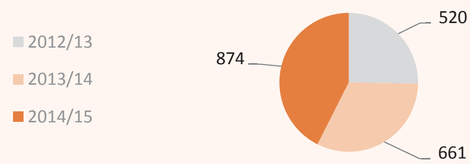
Income



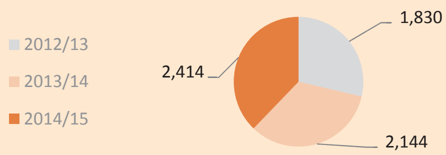
Total Asset



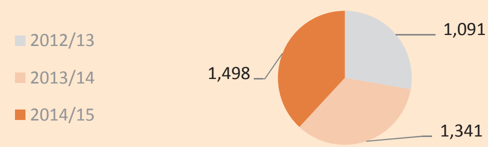
Expense



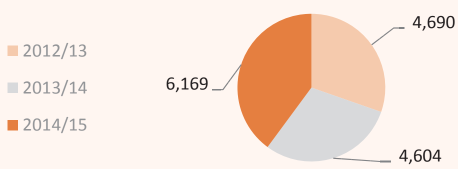
Total Capital



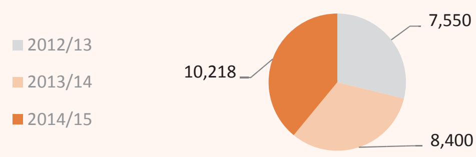
Paid-up Capital



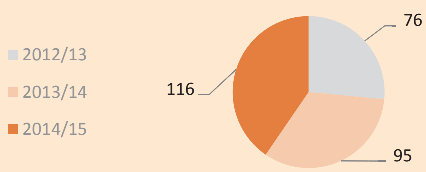
Loans & Advances



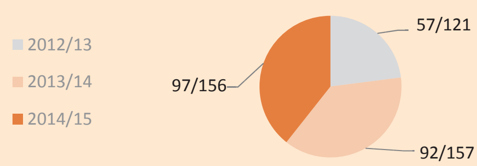
Total Deposits



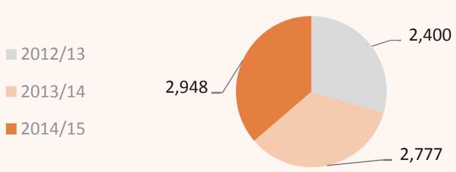
Branches



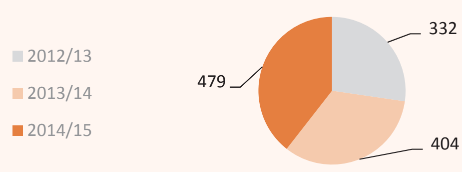
Number of ATM/POS



Number of Employees



Deposit Accounts (In Thousands)



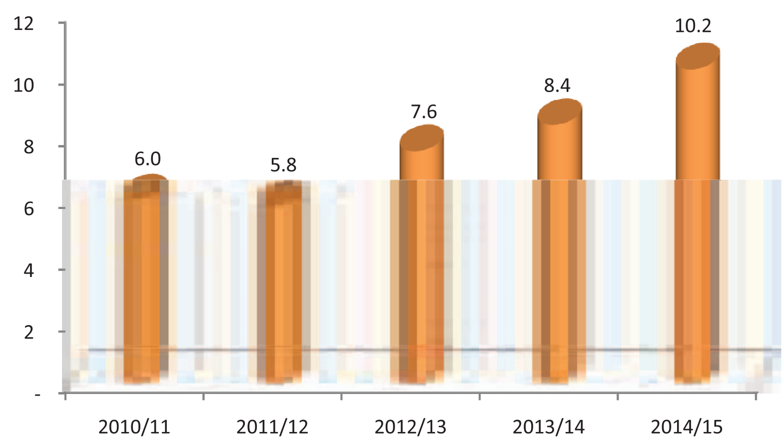
A. Report of the Board of Directors

1. Operational Performance

1.1. Deposits Mobilization

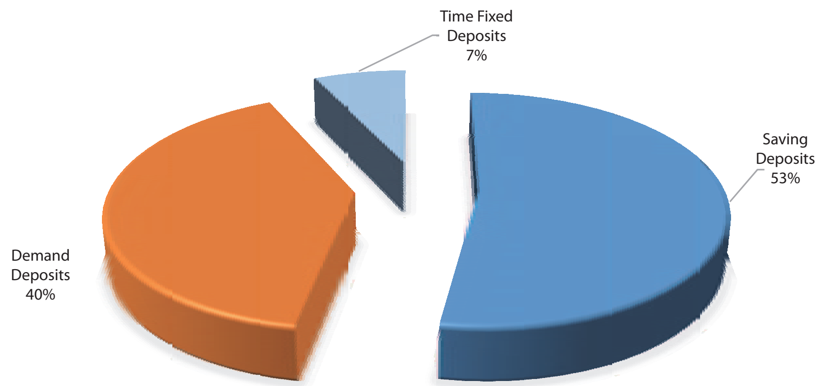
Growing by a double digit of 22% against the preceding year's 11%, total deposits of the Bank has remarkably leapt forward, marking a new height of Birr 10.2 billion, as at June 30, 2015. This commendable deposit mobilization performance is registered in the face of stiff competition over limited resources in the banking industry. Among the outstanding driving forces behind the registered growth in total deposits are the strategic initiatives of the Bank to widen the catchment area by increasing the number of branches and introduction of new products and services in line with the adoption of state-of the-art technologies that promote Bank efficiency. The meaningful effort that has been exerted by the Bank's community at large had also been remarkable. Compared to preceding year's position, the Bank has also registered a considerable growth of 18.5% in its customer base in terms of the number of account holders.

Fig.1: Movements in Total Deposits



Turning to the composition of total deposit of the Bank, Savings Deposit stands to once again claim the largest share (52.7%, Birr 5.4 billion). On a year-on-year comparison, it grew by 15.6% while Demand Deposits, standing at Birr 4.1 billion, constituted 40.2% of total deposits. This level corresponds to 32.8% growth over last year's balance of Birr 3.1 billion. Across the same comparison, standing at Birr 722 million and slicing up 7.1% in total deposits, Fixed Time Deposits grew by 13%.

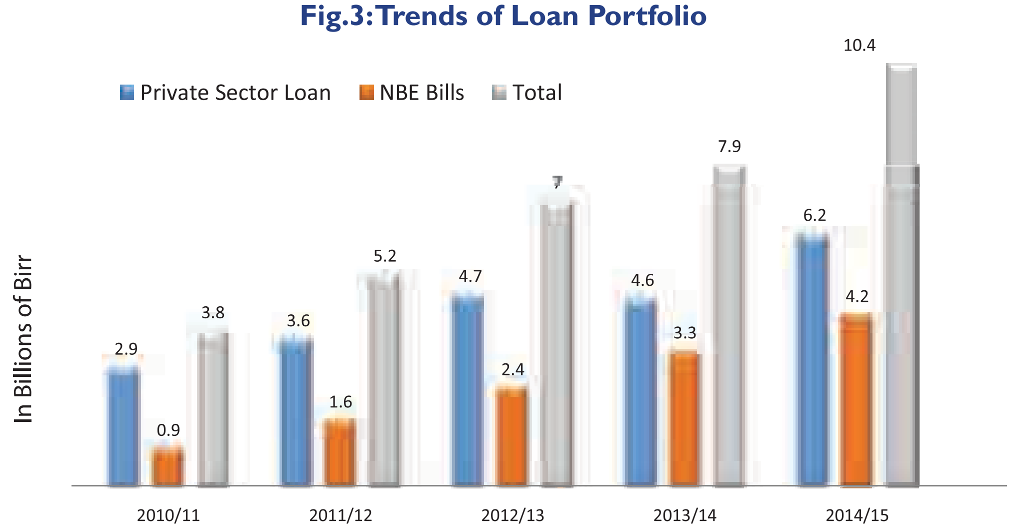
Fig.2: Composition of Total Deposits



1.2. Credit Operations

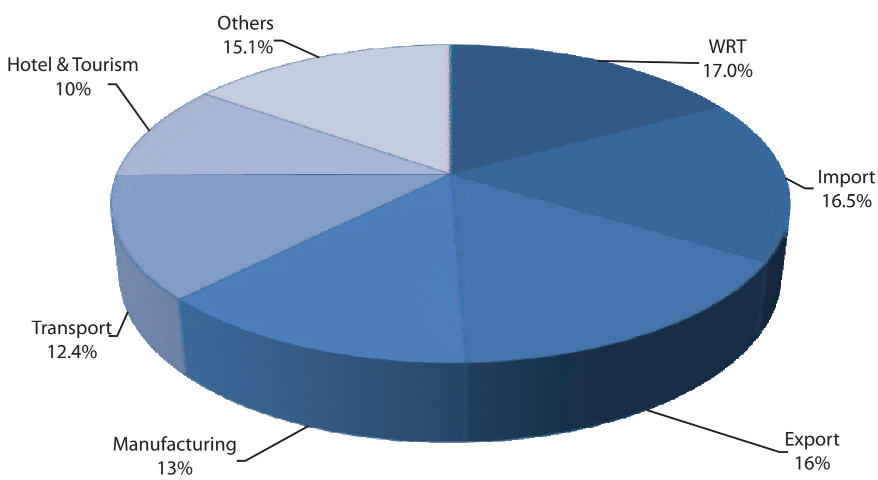
The Bank has kept on offering a wide range of financial products and services in its priority areas of the private sector of the economy, playing its intermediary role, and in effect contributing to the country's ongoing national development endeavors. The total outstanding balance of loans and advances due from private sector reached Birr 6.2 billion, registering a significant growth of 34% against the preceding year's level. Contemporaneously, loans due from the government in the form of NBE Bills stood at Birr 4.2 billion, remarkably growing by 38.7% over last year's corresponding balance of Birr 3 billion. Accordingly, the total loan portfolio of the Bank hit a record of Birr 10.4 billion, rising by 31% over the preceding year's reading.

Fig.3: Trends of Loan Portfolio



Paying heed to the allocation of loans and advances by economic sectors, Wholesale and Retail Trade (WRT) stood to take the largest share (17%), followed by Import loans (16.5%), Export(16%), Manufacturing(13%), Transport(12.4%), and Hotel and Tourism (10%). Other smaller sectors together took up the remaining 15.1%.

Fig.4: Composition of Loans and Advances



1.3. International Banking Operations

In spite of the fact that there is stiff competition in generating foreign currency the Bank managed to register 6.3% growth of income from International Banking operations, compared to that of last year's feat. The Bank has generated substantial income summing up to Birr 390.2 million, recording an absolute growth of 23 million over Birr 367 million earned the preceding year.

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	ING Belgium SA/NV (formerly BBL)	USD	Brussels	*BBRUBEBB*	301-0105758-12-011	C/A
13	Natexis Banques Populaires	EUR	Paris	*CCBPFRPP*	FR7630007999990607920000019EUR	C/A
14	Bank of Africa Mer-Rouge (Credit Agricole - Banque Indosuez Mer Roug)	USD	Djibouti	*MRINDJJD*	100820596580002	C/A
15	Banque pour Le Commerce ET Industrie Mer Rouge	USD	Djibouti	*BCIMDJJ*	09590015547001USD	C/A
16	Nordea Bank, Denmark a/s	DKK	Copenhagen	*NDEADKKK*	5000013858	C/A

2. Financial Performance

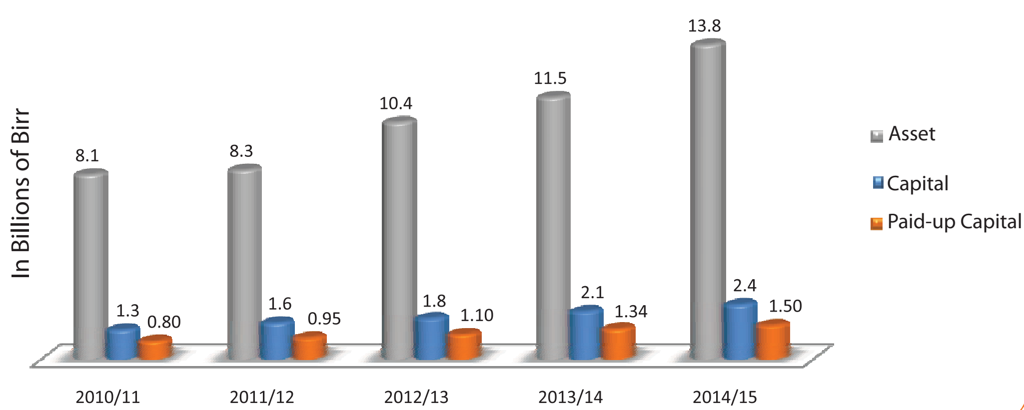
2.1 Asset Expansion

Growing by 15.9% year-on-year, the total asset of the Bank as at the close of FY 2014/15, rose to Birr 13.7 billion from Birr 11.5 billion registered a year ago. Among the leading forces driving asset growth had been the growth in net loans and advances which took the lion's share (44%) in total assets followed by NBE Bills (30%) and Cash and Bank Balances (18%).

2.2 Capital Growth

Total capital of the Bank, which comprises the Paid-up Capital, Legal Reserve, Share Premium and Retained Earnings reached Birr 2.4 billion, marking a growth of 13% over the preceding year balance of Birr 2.1 billion. The paid-up capital of the Bank, making up 62% of the total capital, grew, year-on-year, by 12% there by hitting Birr 1.5 billion as at end of the just ended fiscal year.

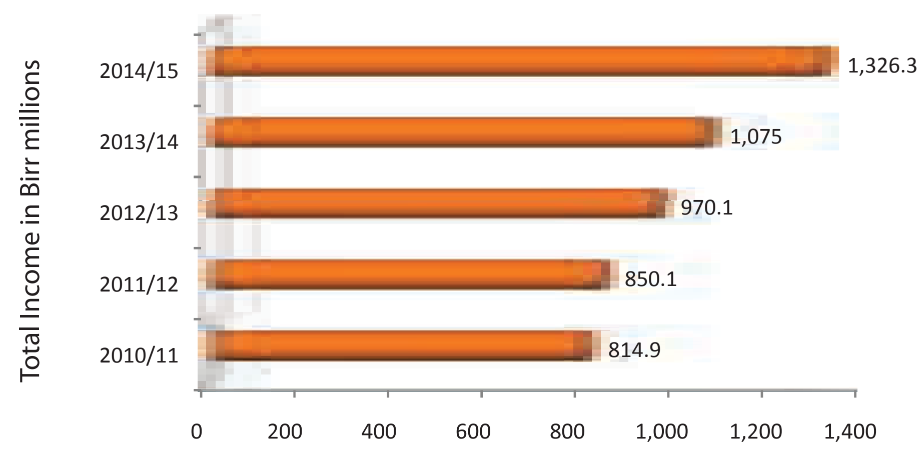
Fig.5: Asset, Total Capital, Paid-up Capital



2.3 Income

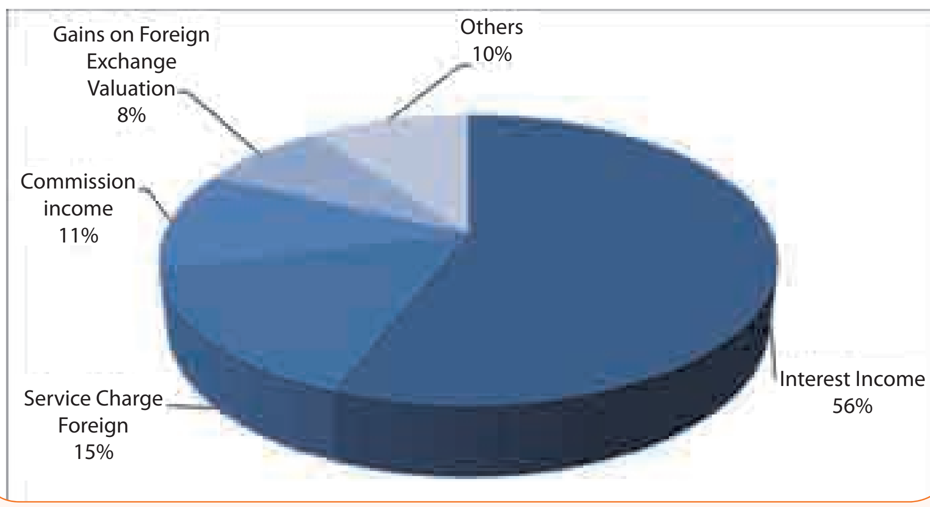
The Bank achieved impressive revenue growth of 23.4% (Birr 252 million) over the previous year's level of Birr 1.1 billion by registering gross revenue of Birr 1.3 billion. The increase in total income of the Bank is attributed mainly to a growth in interest income, service charge and commission income.

Fig.6: Trends in Total Income



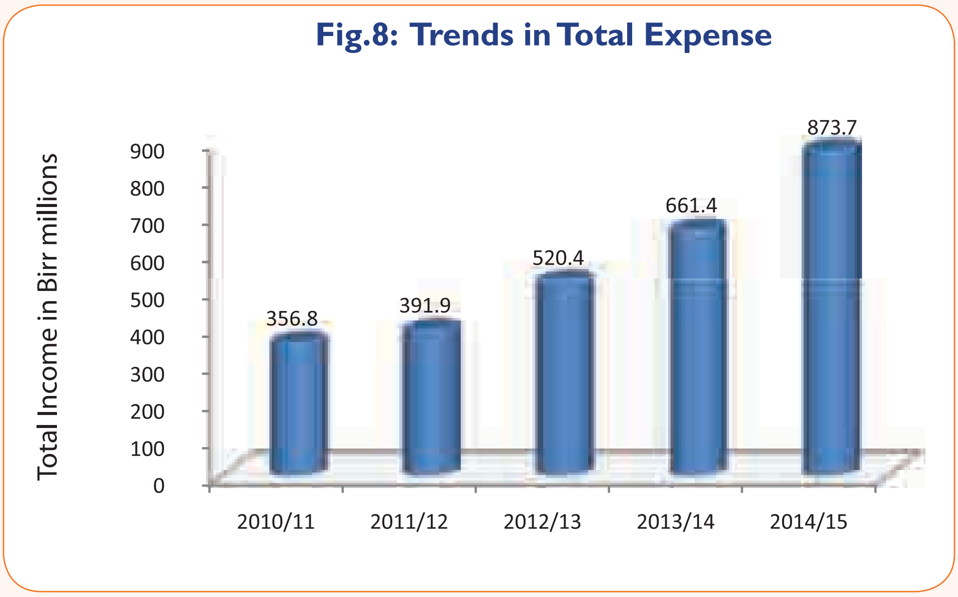
Taking a look at the composition of income, Interest Income slices up the largest share (56%) followed by Service Charge (15%), and Commission Income (11.27%). The share of Gains on foreign exchange valuation stood at 8% this year.

Fig.7: Composition of Income

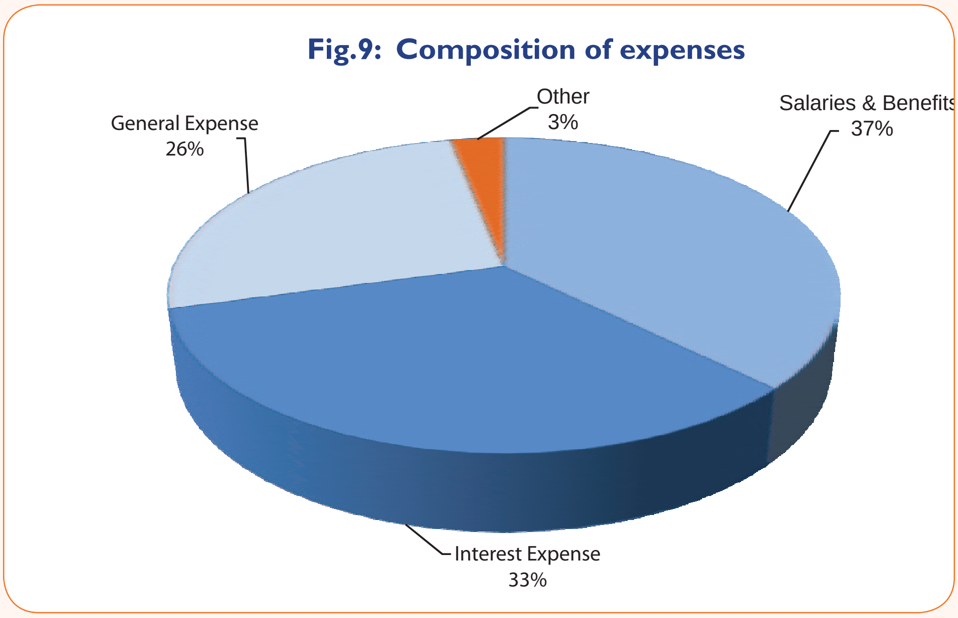


2.4 Expenses

The total expense incurred by the Bank for the year ended at June 30, 2015 reached Birr 873.7 million. Compared to last year's reading of Birr 661.4 million, it soared by 32.1%. The chief contributing factor for the recorded rise in total expenses was the substantial increase witnessed in employee salaries and benefits followed by interest expenses and general expenses.



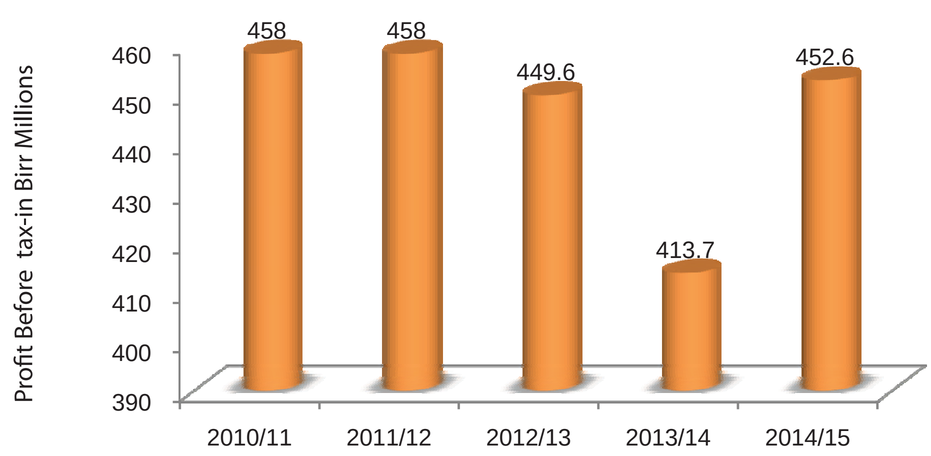
Looking into the composition of expenses, Employee Salaries and benefits seized up 37.2% of total expenses. This is followed by Interest expense accounting for 33.4% and General expenses (26.1%).



2.5 Profit Before Tax

The fiscal year under review is concluded with the realization by the Bank of a profit before tax in the amount of Birr 452.6 million, exhibiting an increment of 9% over the preceding year's feat of Birr 413.8 million. On the other hand, Return on Asset (ROA), Return on Equity (ROE) and Earnings per Share (EPS) stood at 2.6%, 14.6% and Birr 244, respectively.

Fig.10: Trends in Profit Before Tax



Shareholders' Annual General Assembly

Annual Management Meeting

Award Ceremony to Exporters and International Money Transfer Companies

3. Business Development and Capacity Building

3.1 Branch Network Expansion

With a prime motive to gain close access to more and more section of the population, which may significantly contribute for the widening of its resource base, the Bank has enhanced its presence across the country, expanding its coverage to potential areas of demand for its services far and near in the capital as well as regions.

Accordingly, 21 new branches were opened in FY 2014/15, thereby raising the total number of branches from 95 a year ago to 116 as at the close of this fiscal year, registering a growth of 22%. Out of the total new branches, 8 were opened in Addis Ababa, whereas the remaining 13 branches were opened in various regional towns.

Arbaminch Branch Inauguration Ceremony

3.2 Alternative Banking Services

The Bank has kept on exerting relentless efforts in introducing alternative Banking solutions with exclusive focus on technology based banking that would bring in customer convenience by virtue of their simplicity, efficiency through reducing transaction cost as well as saving time. In this respect, the card banking system using ATM and PoS terminals has gone further and the count of ATM and PoS has reached 97 and 156 ,respectively, as at the close of FY 2014/15.

With the pursuit of diversifying its service delivery channels, over and above Card Banking services, the Bank has already launched Mobile and Internet banking and has acquired approval from the NBE to launch Interest Free Banking services and final preparations are well underway to start operations. The Bank has also undergone and completed various preliminary stages with regard to Agency Banking and issues associated to the selection of technology and all other documentation requirements are well in progress.

3.3 Human Resources

With due consideration to the significance of well trained manpower for sustained organizational performance, the Bank has kept on investing in its human capital to ensure that all employees are skilled enough and well equipped to discharge their duties and responsibilities properly. Accordingly, the Bank has organized various training programs to its employees of different capacities and drawn from various functional units. The total number of employees who got access to training reached 1,752. Furthermore, the Bank has been entertaining its employee's demands for further education by sponsoring education fees for those pursuing their studies at various universities and colleges. Apart from these operational investments in human resource development, the Bank has also been on course to strategically approach the function by introducing competency based HRM Practices. The total number of staff of the Bank, as at the end of June, 2015, has reached 2,948, including 18 contract employees.

3.4 Strategy & Structure

Aligning its business ambitions to the national endeavor in GTP-II and redefining its strategic course as well as specific initiatives, Wegagen has now finalized the development of a comprehensive long-term strategic plan which is already under execution.

The service and organizational restructuring project was one of the areas in which the Bank registered a fairly successful accomplishment in the FY 2014/15. With the aim of improving operations, enhancing customer service quality and setting organizational structure that improves work flows and mitigate decision bottlenecks, the Bank has implemented new organizational processes and structure. Subsequently, job design, analysis, and evaluation, competency mapping and staff redeployment was successfully carried out in the year ended June 2015. In line with this, policies and procedures for several core functions have also been updated which is expected to bring about efficiency and effectiveness in terms of supporting swift decision making, less service delivery time and enhanced customer satisfaction.

3.5 District Formation

As part of its restructuring initiative, Wegagen has also introduced a decentralized system of operations within a centralized back office processing environment. With this initiative Wegagen has become the first private commercial bank to launch a meaningful District Office in the busy city of Mekelle for its Branches in Tigray Regional State. Fully organized and well-staffed, the District Office has now gone operational.

The District presently has 20 Branches under its span of control and aggressive expansion is continuing in a bid to address all bankable corners and pockets of the region. The expansion effort is sure to see the total branch network in the region doubling in a very short time.

Northern District Office Inauguration Ceremony

3.6 Banking Technology

After fully implementing the new CORE Banking system years ago, the Bank has come to fully complete the setting-up of a Disaster Recovery System, so as to enhance the stability, security and functionality of the CORE-Banking system. Similarly, Mobile Banking, Internet Banking as well as Anti-Money laundering modules (meant for back office use), were also finalized and implemented. Wegagen has also been in the move to put in place a comprehensive and robust ERP system to fully automate its back office operations and enhance its MIS.

In addition, various IT projects have also been actively running to enable and realize the Bank's planned businesses such as Agency Banking, Messaging as well as Interest Free Banking.

3.7 Headquarters Building Construction

One of the prospective areas in which the Bank has detected a fairly successful progress and achievement in performance lies in the construction of the Bank's Headquarters building project. Over and above the completion of all structural works of the building, the construction of brick wall and the laying of sub drainage systems, major activities of electric wire installation, water supply lines, plastering of external wall surface, fixing and producing mechanical duct for ventilation, and the construction of sun breaker framework is duly accomplished. Furthermore, import of materials for curtain wall and the metal arch is also undertaken. In sum, the level of progress in construction corresponds to 48.5% of completion of the entire project.

4. Risk Management

Recognizing the need to keep in place and maintain a comprehensive and robust risk management framework that conforms to its size, the complexity of operations and the diversity of business activities, a well thought risk management system has already been employed by Wegagen Bank. In light of lessons learned from contemporary developments and regulatory requirements, a grand initiative have been put in place to ensure that organizational objectives are duly achieved through embarking on integrated approach of managing risks. The risk management framework of Wegagen Bank basically encompasses the identification, measurement, control and monitoring of major types of risk including credit, liquidity, market, strategic, and operational risks. Thus, risks are judiciously monitored to ensure that they are contained within acceptable level.

The adoption of a proactive risk and compliance management culture is essentially instrumental in managing banking operations in a safe and sound manner, which counts on active involvement of all stakeholders, including staff of the Bank. In this regard, the Bank is making unreserved efforts in instilling and implanting such culture all over the Bank in an integrated manner. On the strength of this, the Board of Directors, jointly with the Senior Management of the Bank are intensively putting into use their risk oversight functions by setting appropriate tone and defining the overall risk appetitive of the Bank. Furthermore, paying heed to the increasing need for compliance, the Bank is used to striving to ensure that the overall business operations are undertaken in coherence with applicable laws, regulations and standards both locally as well as globally, and this duly protects the Bank from risk of non-compliance.

The Bank's Risk and Compliance Management Directorate, as a functional organ that has been independently organized in accordance with national and international standards, basically stands to ensure that the Bank's strategic directions are pursued in due manner. Hence, the Directorate has accomplished substantial tasks in line with its envisaged objectives; comprising but not limited to developing risk tolerance limits, producing various types of risk and compliance reports, conducting awareness building sessions and monitoring the level of risks. In general the Bank is making strides to practice an enterprise risk management approach thereby scaling new heights.

5. Internal Control

In as much as integrity and prudence are basically required from all employees of the Bank, Internal control is also a mandatory activity. The main responsibilities bestowed up on the Bank's management in this aspect is generally geared toward to ensuring the existence of an appropriate internal control mechanism, which provides for promoting accuracy and reliability in accounting and data clearing; safeguarding the Bank's resources against wastage, fraud and inefficiency, measuring the extent to which operating departments comply with existing policies and procedures, NBE directives, laws and regulations, as well as evaluating the overall efficiency of operating systems.

Due emphasis and focus is given to legal requirements and directives, which more often than not are designed to promote legitimate business practices acceptable to all stakeholders. This provides a fundamental framework to ensure that each and every aspect of the Banking operations is undertaken with integrity and paramount proficiency.

Some of the Businesses Financed by Wegagen

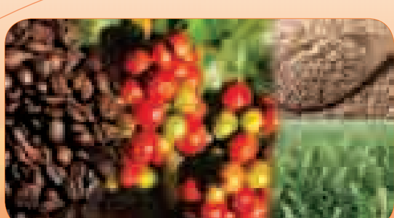
Construction

Import

Manufacturing Industry

Hotel & Tourism

Transport



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WEGAGEN BANK S.C.

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 AUDITORS' REPORT
TO THE SHAREHOLDERS OF
WEGAGEN BANK SHARE COMPANY

1. We have audited the accompanying financial statements of Wegagen Bank Share Company (hereinafter referred to as the Bank) for the year ended June 30, 2015, set out on pages 3 to 23, 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.

AUDITORS' RESPONSIBILITY

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

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

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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, 2015, 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

Addis Ababa

October 6, 2015

WEGAGEN BANK SHARE COMPANY
BALANCE SHEET
AS AT JUNE 30, 2015

			2014
	Notes	Birr	Birr
ASSETS			
Cash and bank balances with local banks	3, 2h	1,486,970,697	1,869,270,044
Reserve with National Bank of Ethiopia		516,105,527	416,105,527
Deposits with foreign banks	4, 2g	393,621,380	720,815,450
Fixed Time Deposit with Enat bank		50,000,000	-
NBE Bills	5	4,162,844,000	3,039,782,000
Equity Investment	6	56,870,000	29,030,000
Loans and advances	7, 2d	6,071,915,798	4,527,528,687
Stocks of supplies	8	32,871,602	31,636,961
Other assets	9	272,363,832	321,050,168
Deferred charges	10,2i	26,775,152	25,789,682
Leasehold land	2j	9,714,740	9,714,740
Property, plant and equipment	11, 2e	631,312,331	538,046,654
TOTAL ASSETS		**13,711,365,059**	**11,528,769,913**
LIABILITIES			
Deposits from customers	12	9,870,945,433	8,026,269,740
Deposits from financial institutions	13	346,802,008	358,841,566
Other liabilities	14	557,742,905	522,940,921
Margin held on letters of credits		416,711,390	376,096,432
Provision for taxation	15	100,127,173	95,354,134
Leasehold land payable		4,663,139	5,051,728
TOTAL LIABILITIES		11,296,992,048	9,384,554,521
CAPITAL AND RESERVES			
Paid up capital	16	1,497,834,000	1,341,291,000
Share Premium		25,424,100	25,424,100
Legal Reserve	17	626,781,000	538,669,696
Retained Earnings	18	264,333,911	238,830,596
		2,414,373,011	2,144,215,392
TOTAL CAPITAL, RESERVES AND LIABILITIES		**13,711,365,059**	**11,528,769,913**

Sebhat Nega
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	NOTES	Birr	2014 Birr
INCOME			
Interest income	19, 2f	853,624,341	659,985,510
Less :Interest expense	20	(291,185,962)	(230,458,974)
Net interest income		**562,438,379**	**429,526,536**
Fees and commission income	21, 2f	152,946,424	125,435,474
Net gains from dealing in foreign currencies	2g	308,863,415	273,276,502
Other income	22	7,741,390	7,512,649
Income from card payment		3,081,153	2,552,850
		472,632,382	**408,777,475**
Net operating income		**1,035,070,761**	**838,304,011**
Provision for doubtful loans and advances	2d	(29,161,042)	5,982,728
Provision for doubtful debts other than loans and advances		1,614,872	788,656
		(27,546,170)	6,771,384
Net interest and other income after provision for doubtful debts		**1,007,524,591**	**845,075,395**
LESS: - EXPENSES			
Salaries and benefits		323,714,604	243,395,593
General and administrative	23	225,847,647	181,556,013
Visa Charge		4,551,952	5,520,121
Directors fee	24	648,250	636,239
Audit fee		189,750	172,500
		554,952,203	**431,280,466**
PROFIT BEFORE TAXATION		452,572,388	413,794,929
LESS: PROVISION FOR TAXATION	15	(100,127,173)	(95,354,134)
NET PROFIT AFTER TAXATION		**352,445,215**	**318,440,795**
TRANSFER TO LEGAL RESERVE		(88,111,304)	(79,610,199)
NET PROFIT AFTER TAX AND LEGAL RESERVE		**264,333,911**	**238,830,596**
EARNING PER SHARE OF BIRR 1,000	29	**244**	**261**

Sebhat Nega
Board Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK S.C.

WEGAGEN BANK SHARE COMPANY
STATEMENT CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

	Paid up Capital Birr	Share Premium Birr	Legal Reserve Birr	Retained Earnings Birr	Total Birr
Balance as at July 1, 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)
Premium collected					
Dividend capitalized 2012/2013	4 ,123,755				4,123,755
Dividend capitalized	140,699,245			(140,699,245)-	-
New shares issued	105,570,000				105,570,000
Net profit for the year				318,440,795	318,440,795
Transfer to Special Reserve					
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
Dividend paid				(97,051,058)	(97,051,058)
Premium collected					
Dividend capitalized 2013/2014	2,397,050				2,397,050
Dividend capitalized	131,550,950			(131,550,950)	-
Additional shares issued	22,595,000				22,595,000
Net profit for the year				352,445,215	352,445,215
Transfer to dividend payable				(10,228,588)	(10,228,588)
Transfer to Legal Reserve	-	-	88,111,304	(88,111,304)	-
Balance as at June 30, 2015	1,497,834,000	25,424,100	626,781,000	264,333,911	2,414,373,011

Sebhat Nega
oard Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK SHARE COMPANY
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

			2014
	Birr	Birr	Birr
Cash In Flow from Operating Activities:		452,572,388	413,794,928
Profit before taxation	40,815,224		30,281,614
Depreciation	14,828,176		12,895,931
Amortization			**(2,374,597)**
(Gain)/loss on Disposal of Fixed Asset	3,632.00		116,543
Adjustment on fixed asset			
Reversal of provision for loans advances held in previous years	20,688,229		**(5,982,728)**
Non credit debtors written off/provision for non credit debtors	(1,714,554)		**(788,656)**
Operating profit before change in working capital		74,620,707	447,943,035
(Increase)/decrease in stocks of supplies	(1,234,641)		13,484,779
(Increase)/ decrease in other assets	50,400.890		(112,040,693)
(Increase)/decrease in loans and advances	(1,565,075,340)		63,559,685
Increase in deposits from customers	1,844,675,693		878,110,858
Increase/(decrease) in deposits from financial institution	(12,039,558)		(43,845,704)
Increase in margin held on letter of credits	40,614,958		17,866,122
Increase /(decrease) in other liabilities	36,726,701		(23,298,000)
		394,068,703	**793,837,047**
Net Cash In Flow from Operating Activities		**921,261,798**	**1,241,780,082**
INVESTING ACTIVITIES			
Acquisition of fixed assets	(134,105,732)		(217,470,584)
Proceeds Disposal of Fixed Asset	21,200		2,678,925
Proceed disposal of asset awaiting for sale			409,656
Collection/(purchase) of treasury bills			209,517,840
Fixed time deposit with Enat Bank	(50,000,000)		337,283,000
Purchase of NBE Bills	(1,123,062,000)		(680,798,000)
Investment in other companies shares	(27,840,000)		(4,000,000)
Deferred expenditures paid	(15,813,646)		(3,546,323)
		(1,350,800,178)	**(355,925,486)**

TAXATION			
Profit tax paid		(95,354,134)	(109,609,779)
FINANCING ACTIVITIES			
New shares issued	22,595,000		105,570,000
Equity dividend paid	(106,807,313)		(103,992,788)
Lease hold land obligation	(388,590)		-
		(84,600,903)	1,577,212
Holding gain on exchange rate fluctuation			
Net Increase (decrease) in Cash and Cash Equivalents		**(609,493,417)**	**777.822,029**
Cash and cash equivalent at the beginning of the year		**3,006,191,021**	**2,228,368,992**
Cash and cash equivalent at the end of the year		**2,396,697,604**	**3,006,191,021**

Sebhat Nega
oard Chairperson

Araya G/Egziabher
CEO/President

WEGAGEN BANK S.C.

WEGAGEN BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Statement of Compliance

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

b) Basis of Accounting

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

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

c) Financial Instruments

i) Classification

A financial instrument is any contract that gives rise to a financial asset for the bank and a financial liability or equity instrument of another party. All assets and liabilities in the balance sheet are financial instruments except fixed assets, deferred charges and shareholder's 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 and are recognized as income when the services are provided to customers.

g) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets denominated in foreign currencies, which are stated at historical cost, are translated at the exchange rates ruling at June 30, 2015. 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 banks.

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 Deferred charges represent expenses incurred for the establishment of Card Payment System Project, Core Banking & Data Migration Project, Master card Project, Restructuring Project, IFB Project and Ethio-Switch 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

		2014
	Birr	Birr
Cash on hand-local currency	583,528,819	603,461,935
Cash on hand-foreign currency	45,693,396	37,010,205
Cash on hand-ATM	11,273,297	11,805,776
Deposits with domestic banks	105,065	105,095
NBE payment and settlement account	327,644,582	1,095,004,494
Issue account	518,725,538	121,882,539
	1,486,970,697	**1,869,270,044**

4. DEPOSIT WITH FOREIGN BANKS

		2014
	Birr	Birr
Correspondent bank accounts	393,621,380	720,815,450
Fixed deposits	-	-
	393,621,380	**720,815,450**

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

		2014
	Birr	**Birr**
Eth. Switch S.CO	11,370,000	5,030,000
Raya Brewery S.CO	24,000,000	24,000,000
Africa insurance	9,000,000	-
Raztransport	6,500,000	-
Investment in GRD bond	6,000,000	-
	56,870,000	29,030,000

7. LOANS AND ADVANCES

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

		2014
	Birr	**Birr**
Within 12 months	2,254,744,442	1,140,148,538
After 12 months but within 24 months	221,667,055	262,564,479
After 24 months	3,677,095,950	3,182,865,590
	6,153,507,447	**4,585,578,607**
Add:-Loans under litigation	15,983,455	18,836,955
	6,169,490,902	**4,604,415,562**
Less:-Provision for doubtful loans and advances	97,575,104	76,886,875
	6,071,915,798	**4,527,528,687**

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

		2014
	Birr	**Birr**
Agriculture	28,360,543	51,733,372
Building construction	159,252,374	164,346,411
Manufacturing	766,506,266	510,083,047
Hotel and tourism	618,866,142	479,920,337
Wholesale and retail	1,045,515,258	700,043,585
Health services	30,041,105	13,477,654
Transport vehicles	710,201,212	636,071,398
Miscellaneous domestic trade	119,776,426	103,609,345
Staff loans	29,480,065	24,776,130
Consumers loans	-	9,087
Automobile loans	7,674,493	10,719,071
Export	953,598,362	389,538,897
Import	1,021,267,645	989,115,740
Construction bridge loans	262,703,560	215,365,123
Mortgage loans	168,058,343	128,061,002
Transport loans	53,562,461	36,605,685
Personal loans	33,795,483	24,899,733
Loans under litigation	15,983,455	18,836,955
Special staff loans	143,897,523	107,202,990
Advance against import bills	944,115	-
Loans and advances past due	6,071	-
	6,169,490,902	**4,604,415,562**
Less: -Provision for loans and advances	97,575,104	76,886,875
	6,071,915,798	**4,527,528,687**

8. STOCKS OF SUPPLIES

		2014
	Birr	Birr
Negotiable instruments	2,343,249	3,157,864
Check books	890,836	666,710
Stationary	4,542,749	5,192,847
Bank forms	3,580,931	3,637,050
Memorial coins	342,400	344,800
Fixed assets in store	13,165,568	16,431,470
EMV Visa cards	6,720,221	1,209,438
Revenue stamp	11,341	13,936
Others	1,274,307	982,846
	32,871,602	31,636,961

9. OTHER ASSETS

		2014
	Birr	Birr
Prepayments and deposits	145,449,633	123,569,451
Receivable from NBE	24,679	23,493
Staff receivables	2,578,714	474,744
Accrued income receivables	57,095,102	36,250,222
Receivable from African Insurance	1,500,987	4,971,456
Adjustment and refund account	815,803	814,848
Assets awaiting for resale	21,500,900	16,178,966
Receivable from western union	25,870,422	62,174,199
Receivable from Head office unit	601,534	6,419
Receivable from branches under formation	798,947	4,796,840
Receivable from Kah Express Ltd	2,393,522	9,878,542
Visa settlement receivable	406,201	512,376
Money Gram Int. money transfer	4,690,258	17,517,099
Others	14,339,030	51,297,967
	278,065,732	328,466,622
Less: - Provision for bad debts	(5,701,900)	(7,416,454)
	272,363,832	321,050,168

10. DEFERRED CHARGES

	Balance 01/07/2014 Birr	Addition - Birr	Balance 30/06/2015 Birr
COST			
Card Payment System-ATM	22,427,273	4,361,612	26,788,885
Core banking and data migration	42,052,380	5,299,615	47,351,995
Master card project cost	3,546,323	456,309	4,002,632
Restructuring project cost	-	4,136,270	4,136,270
IFB project cost	-	31,300	31,300
Ethio-switch project cost	-	1,528,540	1,528,540
	68,025,976	15,813,646	83,839,622
AMORTIZATION			
Card Payment System-ATM	17,888,271	5,357,777	23,246,048
Core banking and data migration	24,348,023	9,470,399	33,818,422
	42,236,294	14,828,176	57,064,470
NET BOOK VALUE	25,789,682		26,775,152

WEGAGEN BANK S.C.

11. PROPERTY, PLANT AND EQUIPMENT

	Balance 01/07/14 Birr	Additions Birr	Adjustments Birr	Balance 30/06/15 Birr
COST				
Premises	4,882,001	-	-	4,882,001
Motor vehicle	95,825,716	50,543,907		146,369,623
Computer and accessories	111,597,073	10,398,610		121,995,683
Office and other equipment	53,933,218	11,318,119		65,251,337
Office furniture and fittings	53,667,818	15,938,901	520,646	69,086,073
Acquired property	621,766	-	-	621,766
Construction in progress:	350,293,709	45,906,195		396,199,904
	670,821,301	**134,105,732**	**520,646**	**804,406,387**
DEPRECIATION				
Premises	1,392,108	244,101		1,636,209
Motor vehicle	57,102,596	18,807,470		75,910,066
Computer and accessories	35,858,398	10,893,887		46,752,285
Office and other equipment	18,310,670	5,481,861		23,792,531
Office furniture and fittings	19,950,484	5,356,816	495,814	24,811,486
Acquired property	160,391	31,088		191,479
	132,774,647	**40,815,223**	**495,814**	**173,094,056**
NET BOOK VALUE	**538,046,654**			**631,312,331**

12. DEPOSITS FROM CUSTOMERS

	Birr	2014 Birr
Payable on Demand		
Private sector	3,260,536,553	2,474,721,033
Public agencies and enterprises	5,663,370	3,575,930
Regional governments	3,955	3,955
Cooperatives and associations	17,251,751	16,737,248
Non-resident accounts-foreign currency	165,801,689	127,362,746
Non-transferable Birr account-non resident	25,631,964	18,122,626
Transferable birr account	13,421,727	12,872,163
Resident foreign currency account	8,820,290	10,454,139
Zero balance account	2,164	52,209
Now account	194,411,418	127,241,003
Special demand deposit	275,346,966	151,470,376
Retention account	66,898,913	54,310,946
ECX payment and settlement account	41,583,481	33,286,823
	4,075,374,241	**3,030,211,197**
Saving deposit		
Private sector	4,836,516,639	4,004,073,144
Cooperatives and associations	130,885,376	119,323,106
Children trust fund	7,916,456	5,787,718
Special savings	12,329,050	11,872,537
Diaspora account	47,563	37,511
Provident fund	93,867,783	313,032,065
Non-interest bearing	284,517,801	178,874,123
Public agencies and enterprises	430,236	781,915
Private institution employees pension fund	362,347	141,557
	5,366,873,251	**4,633,923,676**
Term deposits		
Private sector	268,554,893	256,503,720
Public agencies and enterprises	141,148,462	103,631,147
Cooperatives	18,378,349	**2,000,000.00**
Diaspora account	**616,237**	-
	428,697,941	**362,134,867**
	9,870,945,433	**8,026,269,740**

13. DEPOSIT FROM FINANCIAL INISTUTIONS

		2014
	Birr	Birr
Payable on demand	33,521,584	55,209,612
Saving deposit	22,665,859	29,683,023
Fixed time deposit	290,614,565	273,948,931
	346,802,008	**358,841,566**

14. OTHER LIABILITIES

		2014
	Birr	Birr
Cashier payment order	211,949,600	234,075,063
Blocked current account	8,174,539	12,097,315
Unearned revenue	3,222,926	2,950,977
Accrued interest on savings and deposits	29,877,909	22,594,756
Provision for annual leave	36,350,502	31,706,671
Old drafts payable	34,489,661	35,559,872
Local transfer payable	22,912,760	15,193,069
Payable to international money transfer agents	28,851,529	75,001,731
Provision for bonus	18,475,861	15,656,501
Exchange payable to NBE	8,154,002	12,007,684
Deposit for guarantees issued	38,643,364	26,780,213
Miscellaneous payable	2,781,317	156,441
Taxes and stamp duty charges	7,510,374	22,633
Service charges payables	1,777,186	422,876
Inter branch	16,615,419	18,540,136
Dividend payable	32,145	1,102,546
Guarantee fee payable	64,282,747	46,659
Staff payable	19,174,818	18,313,152
Court case	3,320,807	55,455
Income tax payable	221,458	207,063
Accrued charges	473,981	108
Pension payable	450,000	450,000
Directors fee payable	**557,742,905**	**522,940,921**

15. PROVISION FOR TAXATION

a) Provision for taxation

		Birr
Balance as at July 1, 2013		95,354,134
Less: -Payments		95,354,134
		Nill
Profit before tax		**452,572,388**
Add: -Non allowable expenses		
Depreciation in accordance with accounting policy		40,815,224
Donation and contribution		1,753,324
Entertainment		714,562
		43,283,110
Less: - Allowable expenses/income		
Depreciation in accordance with tax regulation 286/2002		48,276,457

Interest earned on Foreign Banks Deposits	168,583
Interest earned on NBE Bill	108,686,276
Interest earned on special certificate of deposit at Enat Bank	3,220,890
Interest earned on Bond	131,178
Bad debt recovered	**1,614,872**
	162,098,256
Taxable Profit	**333,757,242**
Provision for profit tax @ 30%	**100,127,173**

b) Depreciation for tax purpose

	Premise and acquired properties	Computers and accessories	Other business assets	Total
	Birr	Birr	Birr	Birr
Balance brought forward	5,503,767	45,655,074	92,156,750	143,315,591
Current year addition		10,398,610	77,800,926	88,199,536
Current year Adjustment/disposal	-		(18,435)	(18,435)
Depreciation base	5,503,767	56,053,684	169,939,241	231,496,692
Tax allowance 5%,25%,20%	**275,188**	**14,013,421**	**33,987,848**	**48,276,457**
Depreciation base carried forward	5,503,767	42,040,263	135,951,393	

16. PAID UP CAPITAL

	Birr
Balance as at July 1, 2014	1,341,291,000
Add: -New shares issued	22,595,000
Capitalized dividend	133,948,000
	1,497,834,000

17. LEGALRESERVE

a) The detail is as follows

Balance as at July 1, 2014	538,669,696
Add: -Transfer from Retained Earnings	88,111,304
	626,781,000

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

18. RETAINED EARNINGS

	Birr
Balance as at July 1, 2014	238,830,596
Less: - Capitalized Dividend	131,550,950
Dividend paid on cash	97,051,058
Dividend transferred to liability	10,228,588
Add: -Net profit for the year	**264,333,911**

19. INTEREST INCOME

		2014
	Birr	Birr
Interest on loans and advances	741,417,413	571,388,919
Treasury bills	-	2,304,450
Interest on fixed time deposit with NBE	3,220,890	5,904,763
National bank of Ethiopia Bills	108,686,276	80,168,884
Interest on deposits with foreign banks	168,583	218,494
Grand Ethiopia Ren.Dam Bond	131,178	-
	853,624,341	659,985,510

20. INTEREST EXPENSE

		2014
	Birr	Birr
Savings deposits	211,018,945	179,640,535
Fixed time deposits	70,560,489	49,961,851
Special demand deposit	9,126,619.88	856,588
Leasehold land	479,908	-
	291,185,962	230,458,974

21. COMMISSION, FEES AND CHARGES

		2014
	Birr	Birr
Letter of credit	75,723,882	74,089,805
Letter of guarantees issued	64,252,351	37,064,828
Service charges-local	1,140,063	885,461
Local transfer and others	11,830,128	13,395,380
	152,946,424	125,435,474

22. OTHER INCOME

		2014
	Birr	Birr
Rebate	879,807	765,719
Swift charge	2,203,754	1,865,836
Rent	114,500	89,720
Gain on disposal of old assets	241,593	2,374,597
Cash surplus	186,033	82,129
Estimation fee	934,221	472,086
Correspondent charges	-	578
Bad debts collected	290,000	2,492
Sundries	2,891,482	1,859,492
	7,741,390	7,512,649

23. GENERAL AND ADMINISTRATIVE EXPENSES

		2014
	Birr	Birr
Office rent	82,857,989	63,228,800
Stationery and printing	13,270,186	13,378,823
Communication	11,337,130	9,269,281
Fuel and lubricants	5,377,284	4,734,036
IT support charges	4,681,352	5,308,611
Advertising and publicity	9,711,910	6,639,329
Repair and maintenance	6,794,116	6,447,859
Insurance	5,547,663	6,277,270
Electricity and water	1,509,046	1,438,303
Membership subscription	522,073	369,536
Entertainment	714,562	902,388
Wages	804,276	447,048
Inauguration	249,779	160,336
Depreciation	40,815,224	30,281,614
Amortization	14,828,176	12,895,931
Cleaning supplies	764,388	679,438
Transportation	2,096,696	2,618,909
Guest house expense	33,958	24,743
License and inspection fee	24,500	19,500
Perdiem & travel	3,369,055	3,733,361
Leased line for computerization	5,606,304	4,064,355
Donation and contribution	2,753,324	-
Renovation	142,738	267,207
Correspondent charges	948,447	817,888
Money transfer charges	1,315,375	819,591
Fixed assets below Birr 1000	1,257,662	861,351
Motor vehicle inspection	202,932	207,215
legal	70,353	327,872
Municipality fees and taxes	272,377	263,583
Sundries	7,968,772	5,071,835
Interest paid on lease hold land	225,847,647	181,556,013

24. DIRECTORS' FEE

		2014
	Birr	Birr
Board meeting allowance	198,250	186,239
Board Compensation	450,000	450,000
	648,250	636,239

25. 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:-

		2014
	Birr	**Birr**
Contingent Liabilities		
Letter of credit	1,117,309,988	902,241,032
Bank guarantee	2,452,737,921	1,106,746,710
	3,570,047,909	2,008,987,742
Commitments		
Undrawn loans and advances approved but not disbursed	111,666,560	232,633,032
Unutilized merchandise revolving facility and unutilized advance against export bills	648,803,453	427,594,976
Unutilized overdraft facility	506,121,766	279,548,251
	1,266,591,779	939,776,259

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;

26. 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	2,396,697,604	2,396,697,604		
Fixed time deposit	50,000,000	50,000,000		
NBE bills	4,162,844,000			4,162,844,000
Loans and advances	6,071,915,798		2,254,744,442	3,817,171,356
Other assets and stock supplies	305,235,434		305,235,434	
Deferred charges	26,775,152			26,775,152
Leasehold land	9,714,740			9,714,740
Equity investment	56,870,000			56,870,000
Fixed assets	631,312,331			
Total Assets	13,711,365,059	2,446,697,604	2,559,979,876	8,704,687,579

LIABILITIES AND SHAREHOLDERS' FUND				
Customers' deposits	9,870,945,433	9,870,945,433		
Deposit in financial institutions	346,802,008	56,187,443	290,614,565	
Other liabilities	557,742,905	-	557,742,905	
Margin held	416,711,390	416,711,390	-	
Leasehold and payable	4,663,139	-	388,590	4,274,549
Profit tax payable	100,127,173	100,127,173		
Shareholders' funds	2,414,373,011	-	264,333,911	2,150,039,100
Total liabilities and shareholders' funds	**13,711,365,059**	**10,443,971,439**	**1,113,079,971**	**2,154,313,649**

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.

27. RELATED PARTY TRANSACTIONS

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

		2014
	Birr	**Birr**
Loans and advances at June 30, 2015	144,450,111	90,525,934
Customers' deposits at June 30, 2015	603,766,839	1,752,644,097
"Guarantees issued/contingent liabilities"	80,847,545	-
Interest income for the year	10,860,821	16,095,975
Interest expense for the year	6,174,701	**3,363,990**
	846,100,017	**1,862,629,996**

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.

28. 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 26 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.

29. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit after tax but before legal reserve amounting to Birr 352,445,215(2014:318,440,795) by the weighted average number of shares outstanding during the year of 1,444,961 (2014:1,218,325)

30. MEMORANDUM ACCOUNTS

		2014
	Birr	Birr
Loan and advance written off kept in memo	74,185,273	73,583,635
Interest on non performing loans	25,686,967	26,023,885
IBC-acceptance and sight	28,851,392	31,482,649
OBC-own branches and other bank's city clearance	7,380,909	7,380,909
Outward document bills for collection-sight	41,345,427	46,148,490
OBC-foreign	319,051	319,051
Stock account other materials	8,301	8,301
stocks	9,084	9,084
Money bags	9,745	10,014
Uncollected penalty charges on bounced checks	1,328,127	974,717
Used furniture and equipment	139,907	125,882
	179,264,183	**186,066,617**

Addresses of City Branches

No.	Branch	Fixed Line	Fax	P.O.Box
*	Head Office	011 552 3800	011 552 3520/21	1018
1	Abakoran	011 278 1177/76	011 278 1146	51177
2	Abinet Area	011 278 0571/44	011 278 0551	1018
3	Addisu Gebeya	011 126 4402/12	011 126 4380	1018
4	Africa Avenue	011 662 4772/69	011 662 4770	1018
5	Africa Union	011 554 7061/63	011 554 7062	43186
6	Agar	011 667 0436 /011 667 0313	011 667 0429	1018
7	Alem Bank Area	011 369 4782 /011 369 4708	011 369 4759	1018
8	Arada	011 111 1074/75	011 111 1676	1018
9	Atlas Area	011 639 2083/91	011 639 2074	1018
10	Ayat Addebabay	011 639 0044/28	011 639 0064	1018
11	Ayer Tena	011 369 3400/52	011 369 3444	1018
12	Bambis Area	011 557 6343/58	011 552 4455	1018
13	Beklobet	011 466 3580/81	011 466 3608	101841
14	Bisrate Gebriel Area	011 868 9548		1018
15	Bole	011 552 3524 /011 553 9569	011 552 4455	1062/1110
16	Bole Medhanialem Area	011 661 6135/36	011 663 8968	713/1250
17	Bole Michael Area	011 639 2043/07	011 639 2024	1018
18	Cathedral Area	011 156 0002/60	011 156 0010	1018
19	CMC Area	011 647 9047/43	011 647 9048	1018
20	Gerji	011 629 8141/14	011 629 8118	737/1110
21	Gerji Sunshine Area	011 629 0265 /011 629 0016	011 629 0158	1018
22	Goffa	011 465 5816/17	011 465 4879	56810
23	Goffa Camp	011 466 8784 /011 467 1174	011 416 5166	1018
24	Goffa Mebrat Hail	011 467 3753 /011 466 1545	011 466 1926	1018
25	Gullele	011 273 2016/17	011 273 2022	1018
26	Habte Giorgis	011 111 2972/73	011 157 8499	24215
27	Haya Arat Area	011 618 0677 /011 618 0784	011 618 0734	180/1251
28	Hayahulet Area	011 667 2428/14	011 667 2448	24704/1000
29	ILRI	011 645 9752/53	011 645 9755	1018
30	Jemo	011 471 3042/33	011 471 3038	1018
31	Kaliti	011 439 4285/86	011 439 4284	180
32	Kaliti Maseltegna	011 439 1109 /011 439 0668	011 439 1120	1018
33	Kazanchis Area	011 554 5670/71	011 554 5665	1018
34	Kidist Mariam Area	011 157 0029/33	011 157 0259	31174
35	Lafto	011 471 0028/29	011 471 0009	1018
36	Lebu	011 471 2756/71	011 471 2202	1018
37	Lideta Area	011 552 0961 /011 553 9872	011 552 3050	1018
38	Megenagna	011 667 4016/12	011 667 3730	1018
39	Merkato	011 275 2867 /011 275 2119	011 275 2799	1080
40	Mesalemia	011 276 8611 /011 276 5154	011 276 5142	26661
41	Meskel	011 551 6652 /011 551 2728	011 551 6834	27571/1000
42	Meskel Flower	011 416 3760 /011 416 8005	011 416 6189	1018
43	Militarytera Area	011 213 4605 /011 213 4597	011 213 4609	186195
44	Nefas silk	011 470 7612/15	011 470 7634	1018
45	Saris Addisu sefer	011 470 7694 /011 470 7718	011 470 7682	1018
46	Sebara Babur Area	011 157 0186 /011 157 0329	011 157 0040	20493
47	Sengatera	011 557 6952/54	011 557 6947	1011
48	Shala Menafesha Area	011 618 9303 /011 663 2094	011 663 0808	110705
49	Stadium	011 558 0105/07	011 558 0106	1018
50	Summit Area	011 667 9001/22	011 667 9015	1018
51	Tekle Haymanot	011 156 3813/12	011 156 3811	56734
52	Wellosefer Area	011 466 8006/93	011 466 8098	1018
53	Weyra-Bethel Area	011 349 2184 /011 349 5308	011 349 5536	1018
54	Wuhalimat Area	011 663 1518/17	011 662 5150	170201

Regional Branches

No.	Branch	Fixed line	Fax	P.O.Box
*	Northern District Office	034 241 5185/86	034 241 5225	1084
1	Abyi Addi	034 446 0503 /034 446 0313	034 446 0987	12
2	Adama	022 111 9055/86	022 112 6070	1900
3	Adama Boset	022 212 0055/37	022 212 0014	1900
4	Addi Hawusi	034 440 84 39/31	034 440 6598	1018
5	Adigrat	034 445 2866 /034 445 2790	034 445 2745	237
6	Adi Shumdhun	034 241 0017/44	034 241 0046	2141
7	Adwa	034 771 4046/43	034 771 4047	105
8	Agaro	047 221 1031/50	047 221 1499	404
9	Alamata	034 774 0772 /034 774 0264	034 774 0254	77
10	Aleta Wondo	046 224 0453 /046 224 0687	046 224 1197	92
11	Arbaminch	046 881 5093/76	046 881 0316	2073
12	Asella	022 331 8292/94	022 331 8293	574
13	Assosa	057 775 1362/66	057 775 1459	80
14	Atote-Hawassa	046 212 5017/15	046 212 5055	246
15	Axum	034 775 3631/95	034 775 3440	277
16	Bahir Dar	058 220 2038/39	058 220 2037	1125
17	Bishoftu	011 437 1062/25	011 437 1010	1721
18	Castle (Mekelle)	034 440 2689/79	034 440 2697	1804
19	Debre Birhan	011 681 1803 /011 681 4872	011 681 4665	1018
20	Dessie	033 111 3788/89	033 111 3790	1277
21	Dilla	046 331 1105 /046 331 0120	046 331 0119	1018
22	Dire Dawa	025 112 4669 /025 111 1101	025 111 0841	107
23	Dukem	011 432 0945 /011 432 0753	011 432 0943	51
24	Edaga Hamus	034 773 0546 /034 773 0185	034 773 0164	39
25	Edaga Mekelle	034 441 3666/22	034 441 3748	1090
26	Endaselassie	034 444 4117/31	034 444 4051	275
27	Enticho	034 449 0602 /034 449 0803	034 449 0145	02
28	Fasiledes(Gondar)	058 126 0022/23	058 126 0020	02
29	Furi	011 367 9206/04	011 367 9208	1018
30	Gambella	047 551 1950 /047 551 1767	047 511 1944	164
31	Gendawuha (Metema)	058 331 0431 /058 331 0278	058 331 0009	19
32	Gondar	058 111 4816/15	058 111 4620	02
33	Hafet-Issa Area (Dire Dawa)	025 112 4674 /025 112 2469	025 112 4675	249
34	Harar	025 666 3623 /025 666 4622	025 666 9819	1434
35	Hawassa	046 220 2629 /046 220 4172	046 220 5480	723
36	Hawelti (Mekelle)	034 441 9674 /034 441 9433	034 441 9675	2141
37	Hosanna	046 555 4216/09	046 555 4053	184
38	Humera	034 448 0005/07	034 448 0006	38
39	Illala Area	034 440 6954/56	034 440 8407	1688
40	Jijiga	025 775 7628 /025 775 2057	025 775 2058	491
41	Jimma Abajifar	047 111 6393/05	047 111 6301	1358
42	Kezira (Dire Dawa)	025 111 0285 025 113 0372	025 113 0412	107
43	Kombolcha	033 551 0753/54	033 551 0323	332
44	Maichew	034 777 0563/49	034 777 0473	585
45	Mehal Adama	022 111 2280/83	022 111 2285	1422
46	Mekelle	034 440 8933/34	034 440 3269	930
47	Meki	022 118 1246/27	022 118 0137	53
48	Metema Yohannes	058 231 1138/39	058 331 0278	19
49	Meyda Agame(Adigrat)	034 445 1785/94	034 445 1788	237
50	Mizan Aman	047 135 0066 /047 135 0098	047 135 0059	222
51	Nekemte	057 661 3068/81	057 661 3065	377
52	Romanat Area	034 440 6608/10	034 440 8591	757
53	Sebeta	011 338 0359/66	011 338 0351	292
54	Shashemene	046 110 3468/66	046 110 3469	623
55	Shire	034 444 2165 /034 444 2424	034 444 2229	116
56	Tana Bahir Dar	058 226 2015 /058 226 2002	058 226 2021	1125
57	Tog Wajaale	025 882 0033/32	025 882 0034	1301
58	Tulu Bollo	011 342 0064 /011 342 0057	011 342 0065	15
59	Wolayita Sodo	046 551 4592 /046 551 4593	046 551 4777	299
60	Weliso	011 341 1984 /011 341 1617	011 341 0187	415
61	Wukro	034 443 0373 /034 443 0683	034 443 0643	176
62	Yirgachefe	046 332 0553 /046 332 0410	046 332 0552	118

Branch Network

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ክሊክ ወጋገን የኢንተርኔት ባንክ አገልግሎቶችንን በመጠቀም በቦታና ጊዜ ሳይገድብዎ፦

- በባንኩ ከሚገኝ አንዱ ሒሳብዎ ወደ ሌላው ሒሳብዎ እና ለሌሎች የባንኩ ደንበኞች ገንዘብ ማስተላለፍ
- በባንኩ ሒሳብ ለሌላቸው ገንዘብ መላክ
- ለድርጅትዎ ሰራተኞች ደሞዝ መክፈል
- የቼክ ቡክ መጠየቅ ፣ የቼክ ክፍያን መከታተልና ማስቆም
- ስለብድርዎ ዝርዝር መግለጫ ማግኘት
- የሒሳብዎን መጠን ማወቅ
- አጭር ወይም ሙሉ የሒሳብ መግለጫ እና የውጭ ምንዛሬ ዋጋ ማግኘት ይችላሉ ።

ዛሬውኑ በማኛቸውም ቅርንጫፎችን አመልክተው የኢንተርኔት ባንክ አገልግሎታችን ተጠቃሚ በመሆን ጊዜዎን ይቆጥቡ፡፡

ለተሟላ የኢንተርኔት ባንክ አገልግሎት ክሊክ ወጋገን

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በስልክዎ ባንክዎ አገልግሎታችን ፡-

- በባንኩ ከሚገኙት አንዱ ሒሳብዎ ወደ ሌላው ሒሳብዎ እና ለሌሎች የባንኩ ደንበኞች ገንዘብ ማስተላለፍ
- የቼክ ቡክ ማዘዣ፣ የቼክ ክፍያን መከታተልና ማስቆም
- በሒሳብዎ ላይ ለሚደረግ ማንኛውም እንቅስቃሴ አጭር የጽሑፍ መልዕክት (SMS) ማግኘት
- ስለብድርዎ ዝርዝር መግለጫ ማግኘት
- የሒሳብዎን መጠን ማወቅ
- አጭር የሒሳብ መግለጫ እና የውጭ ምንዛሪ ዋጋ ማግኘት ይችላሉ።።

አገልግሎቱን በማንኛውም የሞባይል ስልክ ወደ *866# በመደወል ማግኘት ይችላሉ።። ዛሬውኑ በማንኛውም የባንካችን ቅርንጫፍ አመልክተው የስልክዎ ባንክዎ አገልግሎታችን ተጠቃሚ በመሆን ጊዜዎን ይቆጥቡ።።

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