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BERHAN INTERNATIONAL BANK S.C

ANNUAL REPORT 2014/15

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BERHAN INTERNATIONAL BANK S.C.

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BERHAN INTERNATIONAL BANK S.C

Annual Report
2014/15

Table of Contents

BOARD OF DIRECTORS

ATO SOLOMON ALEMSEGED
Chairperson

ATO BERHANU SHEFNIE
V/Chairperson

ATO MULAT BELACHEW
Director

W/RO TENAGNE LEMMA
Director

ATO YISMASHEWA SEYOUM
Director

W/RO FEREALEM SHIBABAW
Director

ARC. DANIEL ASSEFA
Director

ATO GELESU BORE
Director

DR. GIRMA BEGASHAW
Director

ATO GUMACHEW KUSSE
Director

Dr. Eng. MEBRATE TAFESE
Director

EXECUTIVE MANAGEMENT

ATO ABRAHAM ALARO
President

ATO ERMIAS TEFERA
V/ President-Operations

ATO SOLOMON ASSEFA
V /President-Strategy and Corporate Services

ATO ALEMAYEHU ADAGA
Director-Internal Audit

ATO ALEXANDER G/EGZIABHER
Director-Informtion Systems

ATO AMANUEL TADDESE
Director-Credit Management

ATO ASHENAFI FEYISSA
Director-Risk and Compliance Management

ATO BAYISSA MILKESSA
Director-Marketing & Business Development

ATO BENEYAM MESFIN
Director-Trade Service

ATO DESALEGN FISSEHATSION
Director-Finance and Treasury

ATO KOLCHA MEGA
Director-Facilities Management

ATO WALE YIRGA
Director-Human Resource Managementent

W/RO YIMENASHU KASSAHUN
Director-Branch and outlet Management

Message from the Board Chairman

It gives me great pleasure to present to you the 6th Annual Report of Berhan International Bank for the fiscal year ended June 30, 2015. Although the year has not been without its challenges, the Bank has had a year in which it has achieved growth and a number of new financial milestones.

The world economy as a whole has experienced ups and downs in 2014/15 F.Y. While recovery was observed in countries such as the United States of America, other major economies such as Japan fell short of expectations. China as well struggled as investment growth declined, particularly in the third quarter of 2014. The global economy was shaped also by a drastic decline in oil prices. In the case of Ethiopia, its economy has experienced remarkable growth over the last decade, averaging a double digit growth rate of 10.5 percent. In 2014/15, robust public investment in infrastructure and sturdy performance in agriculture was observed. Despite being pushed up by high food prices, inflation still remained in single digits. Foreign Direct Investment increased, contributing to a rise in foreign exchange inflows to the country. However, due to the prevailing huge import demand resulting from expanding business and investment activities, fully satisfying the foreign exchange needs of the growing economy still remained a challenge.

Within this environment, our Bank achieved notable results. It registered a gross profit of Birr 138.6 million, demonstrating a growth of 13.9 percent over the previous year. The Bank's total asset reached Birr 4.17 billion, achieving a 48 percent growth. Outstanding loans and advances was also boosted by Birr 710 million (60.5 %), reaching a figure of Birr 1.9 billion. Deposits grew to Birr 3.1 billion, a 1.1 billion (52.5%) increase from the previous year. Furthermore, the Bank's paid-up capital grew to Birr 573 million. This figure surpasses last year's paid up capital value by 31.6 percent and in so doing, exceeds NBE's requirement to reach Birr 500 million by 2016.

Moreover, the 2014/15 F.Y. was a year of change for our Bank. During the year, we welcomed four new Board members elected during last year's Annual General Assembly. Additionally, the Bank's organizational structure was revised to enhance efficiency and accommodate the growing number of staff. The Bank's policy and procedures were also modified and implemented accordingly.

Additionally, in compliance with NBE requirements, Board sub-committees were set up to ensure proper functioning and decision making process within the organization. Furthermore, the Bank designed a new 5 year strategic plan which was approved by the Board of Directors for implementation. This strategic plan takes into consideration NBE's requirements and goals set for commercial banks in the nation's 2nd Growth and Transformation Plan (GTP2).

As we embark on a new fiscal year, we will continue to work hard to achieve solid results and drive stronger growth in order to augment shareholder value. We plan to direct efforts towards boosting growth and operational performance in line with the Bank's five year strategic plan. Focus will be given to branch expansion, foreign exchange mobilization, human resource development, maintaining asset quality, enhancing IT infrastructure, providing quality customer service and raising the Bank's capital. These are areas we believe drive stronger growth and have the greatest impact on shareholder value. As I conclude, I would like to take this opportunity to express my gratitude to our shareholders for their commitment and wholehearted support. The Board and I also highly appreciate the invaluable support of all staff, the National Bank of Ethiopia and other stakeholders and call upon all to continue to work with us with a renewed commitment in the coming year.

Thank you!

Solomon Alemseged

Chairman of the Board of Directors

Message from the President

On behalf of the Bank's Management and myself, it is my pleasure to write to you as we conclude the 6th year of the Bank's operation. F.Y. 2014/15 has been a year in which the Bank's leadership has focused on strategic issues in order to guarantee the continued development of the Bank.

I am pleased to report that in the fiscal year ended June 2015, the Bank earned a total income of Birr 372.7 million, attesting to a 24.6 percent increment from that of the preceding year. Total asset, which stood at Birr 2.81 billion in the previous year, has grown to Birr 4.17 billion, exhibiting a notable growth of 48 percent. Similarly, total capital grew by 31.1 percent to reach Birr 726.8 million with paid up capital standing at Birr 573 million.

I am also delighted to report that the Bank has been effectively increasing its market share in both the metropolis and regional areas. During the year, one of the major goals of the Bank was to extend its branch network and expand all business volumes and customer base. In line with this goal, 27 new branches commenced operation, raising the number of branches to a total of 72 by the end of June 2015.

Such efforts have contributed to a growth in deposit customer base and as a by-product enhanced deposit mobilization. By the end of the fiscal year, deposit customer base stood at 108,283, a remarkable growth of 82.9 percent from the preceding year. Additionally, the Bank has succeeded in mobilizing deposit worth Birr 3.1 billion, surpassing last year's performance of Birr 2.0 billion by 52.5 percent. This growth in deposit mobilization has facilitated an increase in loans disbursement. During the year, the Bank has managed to increase the outstanding balance of loans and advances to Birr 1.9 billion, which shows an increase of 60.5 percent over last year's figure of Birr 1.2 billion.

Moreover, the Bank has been effective in mobilizing foreign currency of USD 69.2 million, an amount exceeding the performance of the previous year by USD 5.7 million (9%). In order to boost foreign currency mobilization, the Bank has worked to avail foreign exchange licenses to its branches and has also begun working with TransFast and Ria Money Transfer, adding to the four international money transfer companies it already partners with.

Enhancing service quality and profitability via the utilization of advanced Information Technology has also been an area of focus in 2014/15. Within the year, a significant number of ATM cards have been distributed to customers to enhance their convenience and satisfaction. The Bank is also in the process of launching Mobile Banking and Point of Sales (PoS) services.

The above achievements and efforts have translated into a profit before tax of Birr 138.6 million by the end of the fiscal year. Although this increment from the gross profit of the preceding year is commendable, it has been inhibited by higher expenses resulting from the Bank's expansion endeavors. During the year, the Bank has opened and commenced operation at 27 new city and outlying branches and staffing has grown considerably along with this expansion. This has contributed to an overall expense of Birr 234.2 million, a 31.9 percent increase from the expense of the previous year.

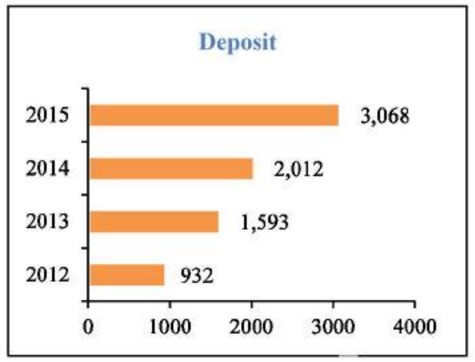
In closing, I would also like to extend my heartfelt gratitude to our esteemed shareholders, our staff, the National Bank of Ethiopia and all other stakeholders as a whole. On behalf of the Management, I would also like to thank the Bank's Board of Directors and I have no doubt that as our strong alliance continues, we will reach even greater heights in the years to come.

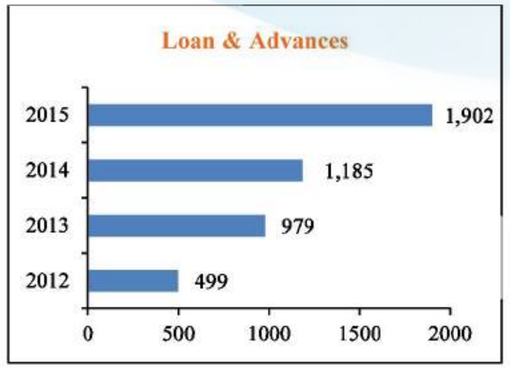
Thank you.

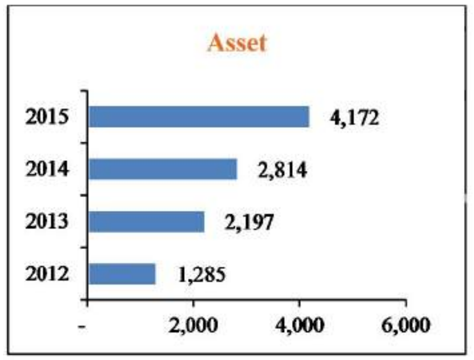
Abraham Alaro

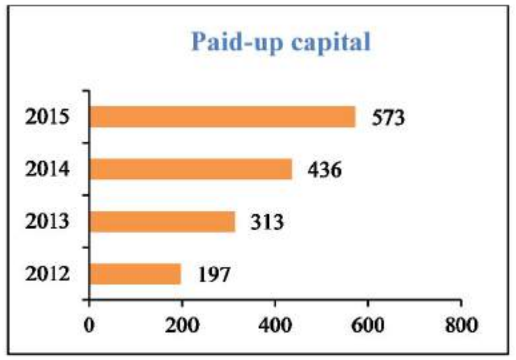
President

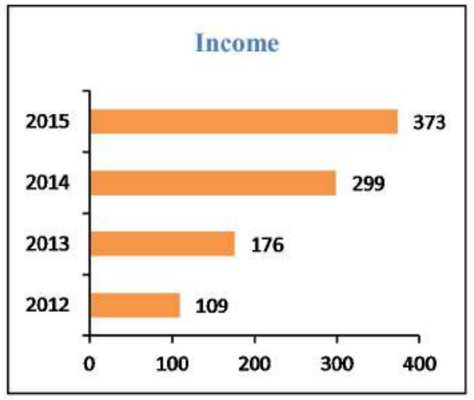
Performance Summary

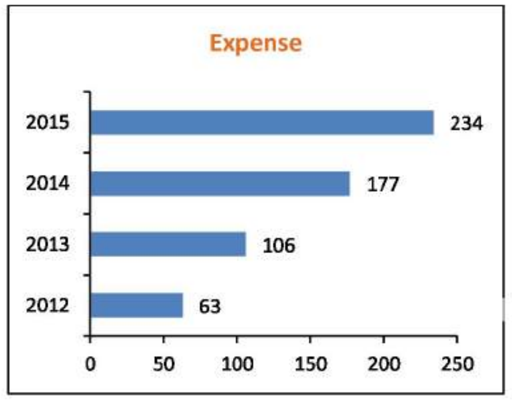


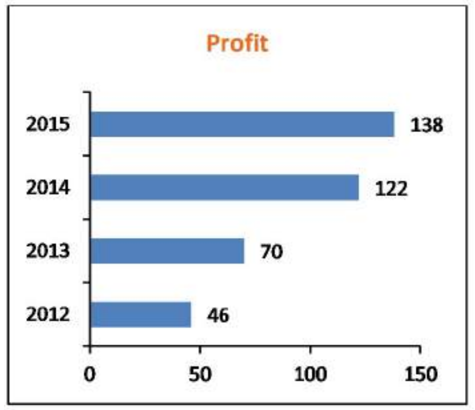


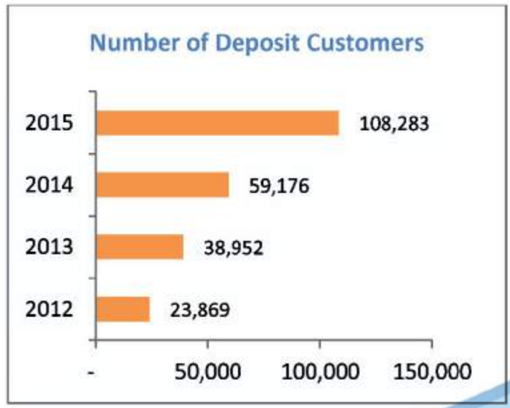












1. Background – Economic Highlight

In 2014/15, the global economy seemed to recover after the deployment of extensive economic policies mainly by developed countries. Accordingly, a gradual pickup in advanced economies was recorded during the year as per the report of World Economic Outlook (WEO) even though the unexpected weakness in North America, accounting for the lion's share of the growth in advanced economies, contributed to the temporary setback. The first half of 2015 implicated the economic recovery in the euro area seeming to be broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase with the exception of Greece.

Nonetheless, a slowdown in the emerging markets was registered due to lower commodity prices and tighter external financial conditions, rebalancing in China and economic distress related to geopolitical factors. In spite of the global financial crisis, most African countries have recorded economic growth in the year 2014/15. However, lower oil and commodity prices, uncertain global conditions, the consequences of the Ebola outbreak in West Africa and domestic political uncertainties have slowed the levels of growth.

The Ethiopian economy has enjoyed strong economic growth with an average GDP growth over 10 percent in the past decade, compared to a 5.4 percent average throughout sub-Saharan Africa. Foreign Direct Investment (FDI) has been increasing as the country is at the focal point of emerging economies' interest with various delegations of foreign investors from other emerging economies seeking investment opportunities in the country. Despite the fact that the economy continued to experience robust growth and single-digit inflation, trade imbalance had created a challenge in the availability and stability of foreign exchange.

All in all, in 2006 E.F.Y. Ethiopia continued to prioritize infrastructure development and regional integration, mainly focusing on development and upgrading of power supplies, transport, and telecommunications facilities including the brand new railway network. Overall, boosting economic activities in general and business and investment activities in particular continued to gain momentum, thereby enhancing the need for banking services more than ever before.

2. Operational and Financial Performance

2.1 Highlights of Operational Performance

2.1.1 Deposit Mobilization

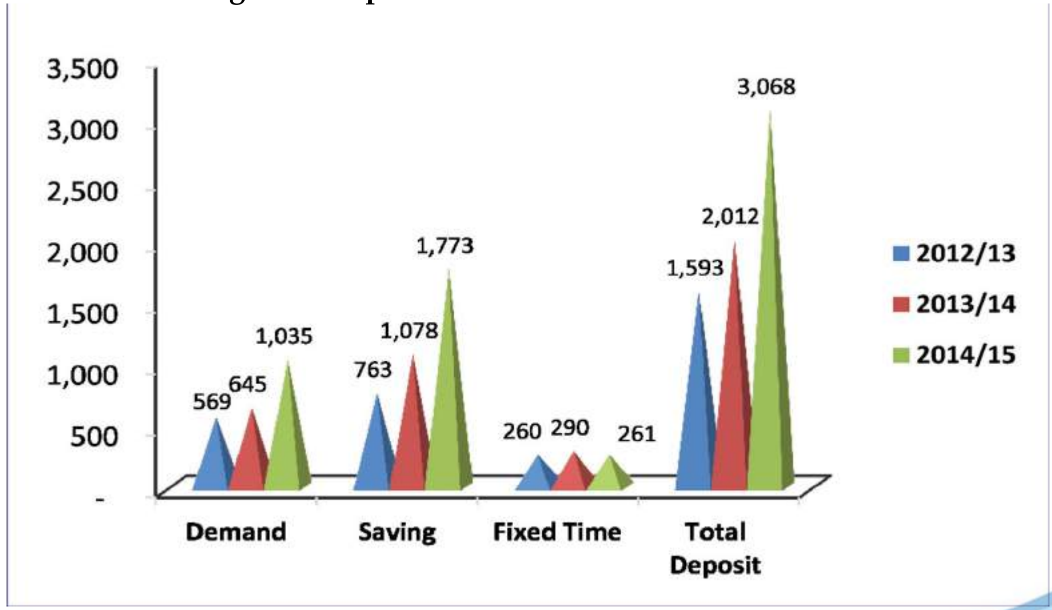
Berhan International Bank S.C mobilized Birr 3.1 billion in the fiscal year ended June 30, 2015 with an annual growth of 52.5 percent. The Bank has registered a net increment of Birr 1.1 billion over the preceding fiscal year. Of the total mobilized, saving deposit takes the largest share with 57.8 percent followed by demand deposit with 33.7 percent. In addition, the cost of fund of saving deposit has improved to 2.95 percent from last year's 3.12 percent and fixed deposit which stands at a better percentage of 7.97 as compared to last year's 9.3 percent.

Table 1: Breakdown of Deposit by Type in '000 of Birr

Deposit type	Jun-15	% share	Jun-14	% share	Growth	
					Absolute	**%age**
Demand	1,034,645	33.7	644,510	32.0	390,135	60.5
Saving	1,772,517	57.8	1,077,540	53.6	694,977	64.5
Fixed time	260,733	8.5	289,753	14.4	(29,020)	-10.0
Total deposit	3,067,895	100	2,011,803	100	1,056,092	52.5

The Bank has also given focus to the expansion of deposit customer base and by the end of June 2015, the total number of depositors had reached 108,283 with an 82.9 percent growth from the previous year's performance. The figure below depicts that the Bank has improved deposit mobilization from year-to-year through intensive operational activities, aggressive branch expansion and establishment of effective performance monitoring mechanisms.

Figure 1: Deposit Performance Trend '000 of Birr



2.1.2 Loans and Advances

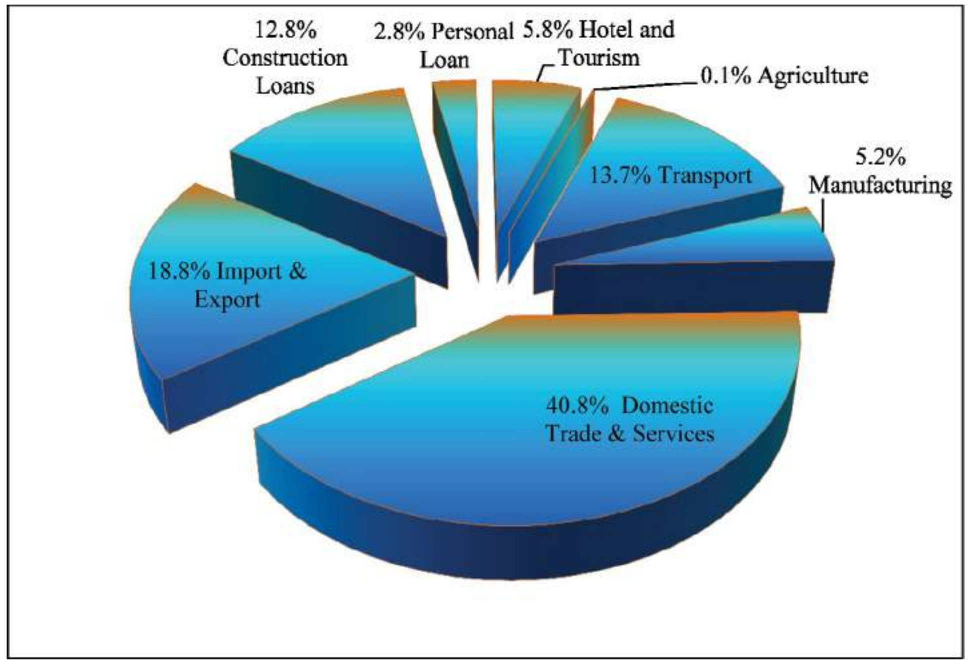
As at June 30, 2015, the Bank's outstanding loan balance was Birr 1.9 billion, recording a growth rate of 60.5 percent from the previous fiscal year's performance.

Table 2: Breakdown of Loans & Advances in '000 of Birr

Sector	Jun-15	% share	Jun-14	% share	Growth	
					Absolute	**%age**
Agriculture and Production	2,109	0.11	1,797	0.15	312	17.36
Transport	261,455	13.75	180,307	15.22	81,148	45.01
Manufacturing	98,219	5.16	56,093	4.73	42,126	75.10
Domestic Trade & Services	776,239	40.82	361,279	30.50	414,960	114.86
Import & Export	357,145	18.78	230,608	19.47	126,537	54.87
Construction Loans	243,609	12.81	248,526	20.98	(4,917)	-1.98
Hotel & Tourism	109,388	5.75	69,902	5.90	39,486	56.49
Personal Loan	53,670	2.82	36,182	3.05	17,488	48.33
Total	1,901,834	100	1,184,694	100	717,140	60.53

The figure below portrays that, out of the total outstanding loans, domestic trade takes the lion's share of 40.8 percent, followed by import & export 18.8 percent and transport 13.7 percent. Moreover, the Non-Performing Loans ratio (NPLs) has also improved from 3.6 percent of last year's performance to 2.3 percent.

Figure 2: Loans & Advances Breakdown



2.1.3 International Banking

The Bank has mobilized USD 69.2 million during the fiscal year ended June 30, 2015 growing by a rate of 9 percent from the previous year's performance. The income generated from foreign exchange grew by 2.9 percent from the prior fiscal year's performance and had a share of 29 percent of the total income. The fact that the branches of the Bank are licensed for foreign exchange operations has facilitated the mobilization and income earned. Furthermore, the Bank has established relationships with Transfast and Ria International Remittance Service Providing Companies, in addition to the existing four agents it has been operating with, in order to boost its remittance services.

2.2 Highlights of Financial Performance

2.2.1 Assets

The total asset of the Bank has reached Birr 4.17 billion with an increment of 48 percent from the previous year. The increment of outstanding loan and advances by Birr 710 million, investment in NBE bills by Birr 266 million and cash balance by Birr 261 million are the main reasons for this increment in the total asset of the Bank.

2.2.2 Capital

By the end of June 2015, the total capital of the Bank stood at Birr 726.8 million with a growth rate of 31.1 percent from the previous year's performance. The paid-up capital has grown to Birr 573 million with a 31.6 percent annual increment and the subscribed capital to Birr 626 million with a 28.3 percent growth rate. The Bank has exceeded the paid-up capital requirement of the National Bank of Ethiopia (500 million) before the end of 2016. The total number of shareholders has also reached 9,039.

Table 3: Composition of Capital in '000 of Birr

Description	Jun-15	Jun-14	Growth	
			Absolute	**% age**
Total Capital	726,802	554,442	172,360	31.09
Paid-up Capital	573,124	435,532	137,592	31.59
Subscribed Capital	625,966	487,820	138,146	28.32
Number of Shareholders	9,039	8,725	314	3.60

2.2.3 Income

By the end of June 2015, the total income of the Bank has reached Birr 372.7 million, which is higher than the preceding year by Birr 73.5 million or 24.6 percent. Component wise, interest income comprises 56.4% and other income the remaining 43.6%.

Table 4: Composition of Income in '000 of Birr

Description	Jun-15	% share	Jun-14	% share	Growth	
					Absolute	**%age**
Interest Income	210,353	56.43	167,764	56.07	42,589	25.39
Non-interest Income	162,385	43.57	131,434	43.93	30,951	23.55
Total	372,738	100	299,198	100	73,540	24.58

2.2.4 Expenses

The total expense of the Bank has reached Birr 234.2 million with a growth rate of 31.9 percent from the previous year's expense. The largest share of the total expense is generated from the general expense (36.9%), followed by salaries & benefits (31.9%) and finally interest expense (31.2%). Salaries & benefits have shown an increment of 67.2 percent due to the fact that branch expansion and staffing has grown considerably compared to the preceding year.

Table 5: Composition of Expenses in '000 of Birr

Description	Jun-15	% share	Jun-14	% share	Growth	
					Absolute	**%age**
Interest Expense	73,055	31.20	60,593	34.13	12,462	20.57
General Expense	86,357	36.88	72,240	40.69	14,117	19.54
Salaries & Benefits	74,762	31.93	44,708	25.18	30,054	67.22
Total	234,174	100	177,541	100	56,633	31.90

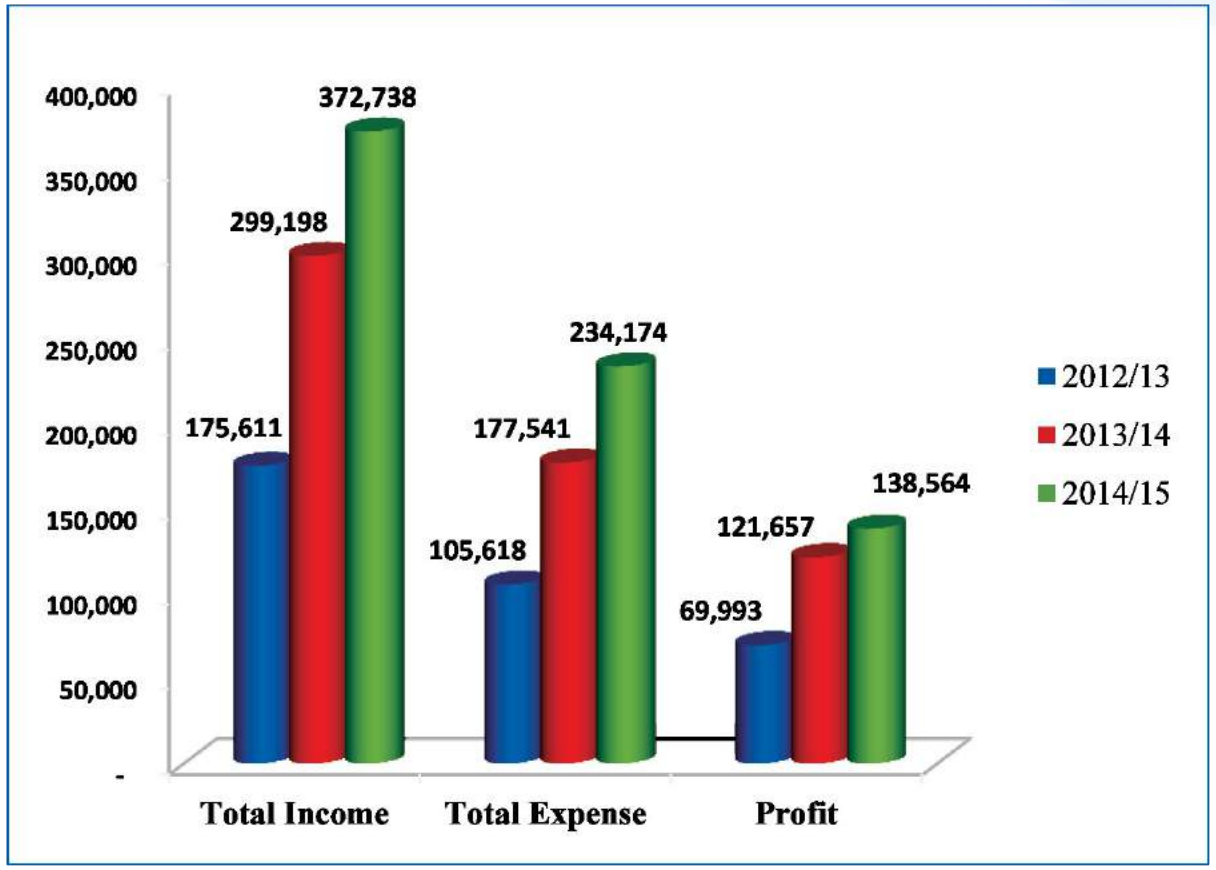
2.2.5 Profit

The Bank achieved a profit before tax of Birr 138.6 million by the end of June 2015, with a growth rate of 13.9 percent from the preceding year's performance. The relatively higher growth of expenses resulting from the significant branch expansion activities during the captioned period has affected growth of profit.

Table 6: Composition of Profit '000 of Birr

Description	Jun-15	Jun-14	Growth	
			Absolute	**%age**
Total Income	372,738	299,198	73,540	24.58
Total Expense	234,174	177,541	56,633	31.90
Profit	138,564	121,657	16,907	13.90

Figure 3: Profit Performance trend in '000 of Birr



2.2.6 Performance Ratio

Return on Asset (ROA) at the end of June 2015 was 4 percent compared to the previous year's figure of 5 percent. The Return on Equity (ROE) was 20.7 percent and the earning per share with par value of Birr 1,000.00 was Birr 207.00, whereas the preceding year's earnings per share was Birr 240.00. The earnings per share has declined from last year's due to the fact that paid up capital has increased by Birr 137 million from the preceding year's balance.

3. Human Resources

At the beginning of the fiscal year 2014/15, the Bank had 693 employees. Currently, the number of employees stands at 1,181 with a growth rate of 70.4 percent from the preceding year. The number has increased mainly due to the Bank's aggressive branch expansion.

4. Information Technology

During the fiscal year under consideration, the Bank has accomplished major IT activities that have made enormous contributions to the service quality and profitability of the Bank. The Bank has been able to automate manual processes such as trade finance modules and payroll system through the core banking system. Other applications such as loan follow up system have also been deployed, which have accelerated the credit process. Moreover, a large number of ATM cards have been produced and provided to customers. The Bank is currently in the process of commencing mobile banking and Point of Sales (PoS) service through 'Berhan Card'. The Bank also plans to plant additional ATMs in business areas and other convenient locations.

5. Branch Expansion

Branch expansion is one of the activities that the Bank has given due attention as a means of deposit mobilization and accessibility. The Bank has opened 27 new branches (16 city and 11 outlying), expanding the Bank's total branch network to 72 branches (41 city and 31 outlying) by the end of June 2015.

6. Future Plan

The Bank's newly designed 5 year strategic plan has been discussed in detail by the Bank's Board of Directors and has been approved and implemented. The Plan focuses mainly on branch network expansion, raising the Bank's capital, deposit mobilization, human resource development, maintaining asset quality, enhancing IT infrastructure, providing quality customer service, expanding the Bank's market share, and building a strong foundation for the Bank's future profitability. Overall, Berhan International Bank has registered encouraging growth in the fiscal year ended June 30, 2015 and is now working towards accelerating its growth and operational performance as stipulated in the five year strategic plan in order to continue this commendable growth in the years to come.


5th Shareholders General Assembly




2014/15 Annual Management Meeting


Holiday Celebrations in Branches

Financed Projects

Holiday Celebration at Head Office

Fundamentals of Leadership Trainees

Ethiopian Coffee Sport Club and Sport Family 1st Run

Sky Bus Transport Systems s.c

Aleta Land Coffee Exporter

Yekatit Paper Converting Plc.

AUDITORS' REPORT

TAY

TAY & Co.

Chartered Certified Accountants & Authorized Auditors

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BERHAN INTERNATIONAL BANK SHARE COMPANY (S.Co)

Report on the financial Statements

We have audited the accompanying financial statements of Berhan International Bank S.Co., which comprise the balance sheet as at 30 June 2015, and the related income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditors considers internal control relevant to the entity's 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 entity's internal control. An 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 the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Berhan International Bank S.Co as at 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

We have no comments to make on the report of the Board of Directors of the Bank in so far as it relates to these financial statements and pursuant to Article 375 of the Commercial Code of Ethiopia 1960 recommend approval of these financial statements.

TAY & Co.
Chartered Certified Accountants and
Authorized Auditors

Addis Ababa
August 20, 2015

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Tel. (011) 442 1336, 442 0062, (011) 470 7092/(011) 470 7094 - Mob. (093) 001 4106, (091) 151 5038/39 and 121 6137
Fax (011) 442 1338 - e-mail: tayco@ethionet.et - P.O. Box 1335 - Addis Ababa, Ethiopia

Berhan International Bank S.C.

Berhan International Bank S.C.
Balance Sheet
As at 30 June 2015

	Notes	Birr	2014
Assets			
Cash and Bank Deposits	3	1,243,216,691	981,609,989
Other Assets	4	160,176,625	77,358,106
Loans and Advances (net)	2(f),5	1,875,485,234	1,165,342,996
Investment in NBE Bills	6.2	813,743,511	547,487,511
Property, Plant and Equipment (net)	2(c),(d), 8	54,627,356	28,618,215
Acquired Properties		5,525,006	800,240
Deferred Charges (net)	2(e),7	-	213,844
Investments in Shares	6.1	19,170,000	12,830,000
Total Assets		**4,171,944,423**	**2,814,260,901**
Liabilities			
Customers Deposits	9	3,067,896,501	2,011,803,252
Margin Held on Letter of Credits		101,180,472	37,860,710
Other Liabilities	10	242,051,476	179,159,264
Provision for Profit Tax	22	34,014,151	30,995,539
Total Liabilities		**3,445,142,600**	**2,259,818,765**
Capital			
Paid up Share Capital	11	573,124,000	435,532,329
Other Reserve	27	-	2,525,675
Legal Reserve	12	75,265,562	49,128,141
Retained Earning		78,412,262	67,255,991
Total Capital		**726,801,823**	**554,442,136**
Total Liabilities and Capital		**4,171,944,423**	**2,814,260,901**

Ato Solomon Alemseged
Chairman of the Board of Directors

Ato Abraham Alaro
President

2

Berhan International Bank S.C.
Income Statement
For the Year Ended 30 June 2015

	Notes	Birr	2014
Income			
Interest Income	13	210,352,664	167,764,436
Commission Income	14	69,348,316	43,119,097
Service Charges	15	46,597,390	39,814,354
Gain (Loss) on Foreign Currency		37,288,012	45,066,238
Other Income	16	9,151,421	3,434,064
		372,737,802	**299,198,189**
Expenses			
General Expenses	17	78,497,644	56,890,620
Interest Expenses	18	73,055,415	60,593,125
Salaries & Benefits	19	74,761,901	44,707,982
Provision for Loans & Advances	2(f)	6,995,933	4,452,088
Provision for Claimed Guarantees		-	10,112,383
Audit Fee		95,076	86,250
Directors Allowance	20	768,000	699,000
Total Expenses		**234,173,969**	**177,541,448**
Profit before Tax		**138,563,833**	**121,656,741**
Provision for Profit Tax	21	(34,014,151)	(32,363,157)
Profit after Tax		**104,549,682**	**89,293,584**
Transfer to Legal Reserve		(26,137,421)	(22,323,396)
Net Profit after Tax & Legal Reserve		**78,412,262**	**66,970,188**
Earning per Share of Birr 1,000	23	207	239

Ato Solomon Alemseged
Chairman of the Board of Directors

Ato Abraham Alaro
President

3

Berhan International Bank S.C.
Cash Flow Statement
For the Year Ended 30 June 2015

	Birr	2014
Cash Flow From Operating Activities		
Net Profit for the year	**138,563,833**	**121,656,741**
Add:		
Depreciation	14,094,825	7,807,943
Amortization	213,845	855,377
Provision for Doubtful Loans & Advances	6,995,933	4,452,088
	21,304,603	**13,115,408**
Cash Flow From Operation before Changes in Working Capital	**159,868,436**	**134,772,149**
Decrease (Increase) in Loans & Advances excluding provision	(717,138,171)	(208,510,536)
Decrease (Increase) in Other Assets	(82,818,519)	(39,805,162)
Decrease (Increase) in Acquired Properties	(4,724,766)	(800,240)
Decrease (Increase) in Deferred Tax Assets	-	1,367,618
Increase (Decrease) in Deposits	1,056,093,249	418,674,442
Increase (Decrease) in Margin Held Account	63,319,762	(33,904,195)
Increase (Decrease) in Other Liabilities	62,892,212	46,706,140
Cash Generated From Operation	**537,492,203**	**318,500,216**
Withholding Tax Paid	11,194	-
Profit tax Paid	(30,995,539)	(19,787,728)
Net Cash flow from Operating Activities	**506,507,858**	**298,712,488**
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(40,121,791)	(14,662,565)
NBE Treasury Bills Collection	-	73,067,000
Investment in Shares	(6,340,000)	(47,000)
Investment in NBE Bills	(266,256,000)	(198,641,000)
Net Cash flow from Investing Activities	**(312,717,791)**	**(140,283,565)**
Cash Flow From Financing Activities		
Ordinary Shares Issued	78,592,000	83,314,388
Dividends Paid	(10,775,365)	-
Net Cash flow from Financing Activities	**67,816,635**	**83,314,388**
Changes in Cash and Cash Equivalents	**261,606,702**	**241,743,311**
Cash and Cash Equivalent at the Beginning of the Year	**981,609,989**	**739,866,678**
Cash Balance at end of the year	**1,243,216,691**	**981,609,989**

Ato Solomon Alemseged
Chairman of the Board of Director

Ato Abraham Alaro
President

Berhan International Bank S.C.
Statement of Changes in Equity
For the Year Ended 30 June 2015

Currency: Ethiopian Birr

	Share Capital	Other Reserve	Legal Reserve	Retained Earning	Total Capital
Balance at 1 July 2013	313,000,920	-	26,804,745	41,742,698	381,548,363
Prior Period Adjustment	-	-	-	285,801	285,801
Additional Shares Issued	83,314,388	-	-	-	83,314,388
Dividend Capitalized	39,217,021	-	-	(39,217,021)	-
Dividends Retained	-	2,525,675	-	(2,525,675)	-
Profit for the Year	-	-		89,293,584	89,293,584
Transfer to Legal Reserve	-	-	22,323,396	(22,323,396)	-
Balance at 30 June 2014	**435,532,329**	**2,525,675**	**49,128,141**	**67,255,991**	**554,442,136**
Balance at 1 July 2014	435,532,329	2,525,675	49,128,141	67,255,991	554,442,136
Prior Period Adjustment	-	-	-	-	-
Additional Shares Issued	78,592,000	-	-	-	78,592,000
Dividend Capitalized	58,999,671	-	-	(58,999,671)	-
Adjustment on Dividends Retained	-	(2,525,675)	-	2,525,675	-
Dividends in cash	-	-	-	(10,781,995)	(10,781,995)
Profit for the Year	-	-	-	104,549,682	104,549,682
Transfer to Legal Reserve	-	-	26,137,421	(26,137,421)	-
Balance at 30 June 2015	**573,124,000**	**-**	**75,265,562**	**78,412,262**	**726,801,823**

Ato Solomon Alemseged
Chairman of the Board of Director

Ato Abraham Alaro
President

5

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

1 General Information

Berhan International Bank share company has been established in Addis Ababa as per the Commercial Code of Ethiopia 1960, and it was licensed by the National Bank of Ethiopia on June 01,2009 with the objective to engage in banking service in accordance with the Banking Business Proclamation number 592/2008 . The bank has started operation on 09 October 2009.

2 Significant Accounting Policy

The financial statements are prepared under the historical cost convention in accordance with generally accepted accounting standards and the laws and regulation of Commercial Code of Ethiopia 1960. The principal accounting policies adopted by the Bank, which are consistent with those applied in the preceding year, are stated below

a) Monetary items denominated in foreign currencies are translated at selling and buying exchange rate for assets and liabilities respectively ruling at the balance sheet dates. Gain/loss arising on retranslation are recognized in profit and loss in the period in which they arise.

b) Foreign exchange transactions during the year are expressed in Birr at the actual rates prevailing on the transaction dates.

c) Fixed assets are stated at cost less accumulated depreciation.

d) The depreciation base for pooling system is the opening book value of assets category increased by the cost of assets acquired and decreased by the sales price of assets disposed. Buildings are depreciated at straight ling method. The depreciation rates for each class of fixed assets are;

	%
Computer and accessories	25
Other fixed assets	20
Building	5

e) Pre-operating costs incurred during establishment of the bank and for branch openings are capitalized and amortized at 20% per annum.

f) Loans and advances are stated at cost less provisions for bad debts. Provision for bad debts on outstanding loans and advances are determined based on the percentages dictated in NBE directive SBB/43/2008 .

3 Cash and Bank Deposits	**Birr**	**2014**
Cash on Hand- Local Currency	448,399,996	352,159,605
Cash on Hand- Foreign Currency	11,812,732	3,878,113
Reserve Account with NBE	155,000,000	109,000,000
Payment & Settlement Account with NBE	13,050,386	61,186,916
Issue Account with NBE	15,408,000	425,483,555
Deposit with Local Banks	470,940,351	576,687
Deposit with Foreign Banks	128,605,226	29,325,113
	1,243,216,691	**981,609,989**

6

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

4 Other Assets

	Birr	2014
Uncleared Effects - Local	6,448,934	2,685,619
Uncleared Effects - Foreign	16,909,595	4,293,031
Supplies Stock Account	1,781,643	1,186,598
Accrued Interest Receivable on Time/Special Deposit	9,652,958	-
Accrued Interest Receivable on Government Bond	9,081,776	6,500,771
Prepaid Office Rent	58,839,574	33,121,890
Purchase Advances	5,452,975	6,404,344
Fixed Assets in Store	2,250,957	5,385,375
Prepaid RUBIKON License Fee	584,860	1,475,782
Miscellaneous	27,755,457	10,481,939
TT's & MT's Receivable Local	9,703,996	-
Emergency Staff Loan	10,881,471	5,349,724
Prepaid Insurance	832,429	473,033
	160,176,625	**77,358,106**

5 Loans and Advances

	Birr	2014
Agriculture & Production	2,108,599	1,797,449
Transport	261,455,382	180,307,490
Manufacturing	98,219,460	56,093,168
Domestic Trade & Services	776,239,384	361,278,873
Import and Export	357,144,548	230,608,011
Construction Loans	243,608,890	248,526,445
Personal Loan	53,670,008	36,182,072
Hotel and Tourism	109,387,880	69,902,472
Total Loan Balance	1,901,834,151	1,184,695,980
Less: Provision for Bad Loans & Advances	(26,348,917)	(19,352,984)
	1,875,485,234	**1,165,342,996**

6 Investments

6.1. Investments in Shares

	Birr	2014
Berhan Insurance S.C.	3,000,000	3,000,000
Premier Switch Solution S.C.	4,800,000	4,800,000
Ethio Switch S.C.	11,370,000	5,030,000
	19,170,000	**12,830,000**

6.2. Investment in NBE Bills

In accordance with NBE directive no MFA/NBE BILLS/001/2011 , the Bank has purchased NBE Bills to the equivalent of 27% of total loan disbursed during the year. The Bills are interest bearing at 3% with maturity period of five years.

7 Deferred Charges

	Birr	2014
Establishment Cost	4,276,883	4,276,883
Less: Amortization		
Opening Balance	(4,063,039)	(3,207,663)
Amortization during the year	(213,844)	(855,376)
	(4,276,883)	(4,063,039)
Balance Carried Forward	-	**213,844**

7

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

8 Property, Plant & Equipment

	Balance at 30 June 2014	Additions	Adjustment	Balance at 30 June 2015
Cost				
Building	-	1,849,459	-	1,849,459
Furniture & Fittings	8,763,107	5,526,187	-	14,289,294
Office & Other Equipment	12,445,819	7,800,935	(46,250)	20,200,503
Computer and Accessories	12,098,565	3,954,231	-	16,052,796
Computer Software	6,838,564	874,923	-	7,713,487
Motor Vehicle	13,958,989	20,116,056	-	34,075,046
	54,105,043	**40,121,791**	**(46,250)**	**94,180,584**
Depreciation				
Building	-	92,473	-	92,473
Furniture & Fittings	3,431,255	2,171,608	-	5,602,863
Office & Other Equipment	4,451,311	3,149,838	(28,425)	7,572,725
Computer and Accessories	6,702,975	2,337,455	-	9,040,430
Computer Software	4,393,459	830,007	-	5,223,466
Motor Vehicle	6,507,828	5,513,444	-	12,021,272
	25,486,828	**14,094,825**	**(28,425)**	**39,553,229**
Net Book Value	**28,618,215**			**54,627,356**

9 Deposits

	Demand	Saving	Time Deposit	Total
Business-Basic	438,495,619	-	-	**438,495,619**
Business -Corporate	105,496,404	297,683,984	-	**403,180,388**
Personal	458,470,905	1,445,761,575	92,577,138	**1,996,809,618**
Non Resident FCY	9,784,524	-	-	**9,784,524**
Diaspora Account	5,812,283	-	-	**5,812,283**
Retention Account	16,585,709	-	-	**16,585,709**
Provident Fund	-	29,071,969	-	**29,071,969**
Financial Institution	-	-	168,156,391	**168,156,391**
	1,034,645,444	**1,772,517,528**	**260,733,529**	**3,067,896,501**

8

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

10 Other Liabilities

	Birr	2014
Accrued Interest on Fixed Time Deposits	13,220,066	12,655,946
Accrued Leave Payables	4,564,953	2,491,260
Sundry Payables	2,850,551	50,560,037
Blocked Amount/Accounts	7,012,808	5,350,245
CPO & Certified Cheques	126,608,923	61,734,532
Exchange Commission Payable to NBE	3,222,100	1,321,441
Collection from Shareholders	32,777	36,484
Pension Fund Payable	723,144	452,505
Income Taxes payable	1,345,171	1,392,855
Duties Contributions and other taxes	1,047,499	1,243,232
Unearned and Unapplied Interest	2,921,838	10,265,952
Interest Suspense	4,058,477	5,648,064
TT's & MT's Payable Local	-	5,097,381
Miscellaneous	289,392	291,800
Audit Fee Payable	86,250	86,250
Withholding Taxes payable	160,262	446,961
Value Added Tax payable	2,348	-
Bonus Payable	-	4,805,904
Dividend Tax Payable	307,338	256,895
Refund to shareholders	2,571,820	-
Cheque Clearance	7,109,225	4,901,602
Amount Blocked for Guarantees Issuance	56,116,213	-
Provision for claimed Guarantees	6,828,586	10,112,383
ATM settlement Remote on US	967,398	-
Cost Sharing Payable	4,337	7,535
	242,051,476	**179,159,264**

11 Paid up Share Capital
The authorized share capital of the bank is Birr 700 million comprising 700,000 ordinary shares at par value of Birr 1,000 each. Total subscribed shares at the balance sheet date is Birr 625,966,000 out of which Birr 573,124,000 is fully paid.

12 Legal Reserve
In accordance with the Articles of Association of the bank and Proclamation No 592/2008 article 19 of the Licensing and Supervision of Banking, 25% of profit after tax is transferred to legal reserve until the balance reaches100% of the paid-up capital.

13 Interest Income

	Birr	2014
Interest earned on Loans & Advances	180,742,635	152,088,334
Interest earned on Surplus Fund	29,610,029	15,676,102
	210,352,664	**167,764,436**

9

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

14 Commission Income

	Birr	2014
Import Letters of Credit	15,538,228	14,556,210
Commission on Purchase order & Other Services	14,866,838	6,712,808
Commission on Letter Of Guarantee	38,943,250	21,850,079
	69,348,316	**43,119,097**

15 Service Charges

	Birr	2014
Service Charge- Local	6,285,036	9,344,262
Service Charge- Foreign	40,312,353	30,470,092
	46,597,390	**39,814,354**

16 Other Income

	Birr	2014
Estimation and Inspection Fee	549,145	184,420
Commitement charges collected	1,617,454	590,825
Bankers Cheque Issue charges	1,173,392	576,913
Telephone and SWIFT	607,268	1,051,027
Cash Surplus	82,155	87,203
Income from Claimed Guarantees	3,304,535	-
Sundries	1,817,472	943,676
	9,151,421	**3,434,064**

17 General Expenses

	Birr	2014
Depreciation	14,094,825	7,807,944
Amortization of Establishment Cost	213,845	855,377
Rent	22,940,836	14,868,412
Stationery & Office Supplies	4,066,967	2,630,073
Business Travel & Transportation	619,285	333,740
Communication	3,770,061	1,936,529
Fees	274,976	237,298
Insurance	2,411,800	1,608,474
Taxes	18,946	596,684
Fuel & Lubricant	1,700,193	1,061,945
Wages	257,091	401,930
Sundries	662,597	453,410
Perdiem and Travel	856,385	211,163
Conference & Meeting	740,283	707,259
Repair & Maintenance	3,669,291	1,489,624
Utilities	308,846	281,784
Bank Charges	678,816	603,271
Advertisement/ Publicity	4,882,224	1,633,483
Business Promotion	2,188,285	800,489
Loss on FCY Account	10,038,779	14,303,524
Inauguration	17,231	4,230
Professional Fee	561,621	1,117,711
Security and Janitorial Service	204,914	3,124
Entertainment	2,286,136	1,530,603
Loss on Disposal	29,124	8,850
PSS Related Expenses	533,028	1,259,616
Penalty Charges	471,259	144,073
	78,497,644	**56,890,620**

10

Berhan International Bank S.C.

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

18 Interest Expenses

	Birr	2014
Interest on Saving Deposits	52,284,244	33,647,645
Interest on Fixed Time Deposits	20,771,171	26,945,480
	73,055,415	**60,593,125**

19 Salaries and Benefits

	Birr	2014
Clerical Staff Salaries	44,234,506	23,900,040
Non Clerical Staff Salaries	9,120,592	4,289,462
Provident Fund Contribution	1,748,483	1,718,671
Cash Indemnity Allowance	1,426,566	952,200
Uniforms	1,723,872	423,152
Training & Education	320,168	86,821
Severance & Leave Pay	2,369,406	1,485,621
Medical	772,860	492,046
Bonus	-	4,853,673
Other Allowance & Benefits	1,800,653	479,916
Representation Allowance	559,385	415,911
Fuel Allowance	6,055,419	3,923,547
Overtime Payments	2,818	82,497
Pension Fund Contribution	4,627,173	1,604,425
	74,761,901	**44,707,982**

20 Directors Allowance

Directors allowances represent monthly allowance of Birr 2,000 per month and annual compensation of Birr 50,000 per each member of board of directors of the bank. The amount paid is within the limit set in accordance with NBE directive SBB 49/2011.

21 Provision for Taxation

	Birr	2014
Profit before tax	**138,563,833**	**121,656,741**
Less: Interest income taxed at source		
Interest on deposit with other domestic banks	(10,593,308)	(392,642)
interest on treasury Bills and NBE bills	(19,005,632)	(15,251,850)
Interest on Deposit with Foreign banks	(11,089)	(31,610)
	(29,610,029)	**(15,676,102)**
Add: Disallowed Expenses		
Entertainments	2,286,136	1,530,603
Loss on Disposal	29,124	8,850
Donations	1,640,180	213,024
Penalty	471,259	144,073
	4,426,699	**1,896,550**
Taxable Profit	**113,380,503**	**107,877,189**
Provision for Taxation (at 30% tax rate)	**34,014,151**	**32,363,157**

22 Provision for Profit Tax

	Birr	2014
Balance Brought Forward	30,995,539	18,420,110
Profit Tax Paid During the year & WHT Receivable	(30,995,539)	(18,420,110)
Current Year Provision for Profit Tax	34,014,151	32,363,157
Reversal of Deferred Tax Assets	-	(1,367,618)
Balance Carried Forward	**34,014,151**	**30,995,539**

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2015

23 Earning per Share

Earning per share for the year is computed by dividing the net profit after tax but before legal reserves by the average number of shares outstanding during the year. Average number of shares is computed on simple average basis.

24 Certain comparative figures were reclassified where necessary to facilitate comparison.

25 Commitments and Contingent Liabilities

	Birr	2014
Guarantees Issued and Outstanding	1,009,771,066	441,622,405
Commitments on Letter of Credit net of Margin Paid	113,626,237	50,235,349
Loan Approved but not Disbursed	189,466,273	7,028,447
	1,312,863,576	**498,886,201**

A tax asseesment was conducted by the Ethiopia Revenue and Custom Authority covering the financial years from 2001 E.C. to 2006 E.C. Additional taxes, interest and penaltiy amounting to Birr 22,569,296.56 was levied by the tax office. However, the bank has applealed to the tax appeal committee against the additional taxes for which hearing is not conducted and the decision is not yet known.

12