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# BERHAN INTERNATIONAL BANK

# Annual Report 2015/16

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# Board of Directors

**Ato Solomon Alemseged**
Chairman

**Ato Berhanu Shefine**
V/Chairman

**Ato Mulatu Belachew**
Director

**W/ro Tenagne Lemma**
Director

**Ato Yismashewa Seyoum**
Director

**Ato Gelesu Bore**
Director

**W/ro Ferealem Shibabaw**
Director

**Dr. Girma Begashaw**
Director

**Ato Gumachew Kusse**
Director

**ARC. Daniel Assefa**
Director

**Dr. Eng. Mebrate Tafese**
Director

# Executive Management

**Ato Abraham Alaro**
President

**Ato Ermias Tefera**
V/P-Operations

**Ato Solomon Assefa**
V/P-Strategy and Corporate Services

**Ato Amanuel Taddese**
Director-Credit Management

**Ato Anteneh Mekonnen**
Executive Assistant to the President

**Ato Assefa Sumoro**
Director - Innovation and Strategy

**Ato Awoke Angamo**
A/Director - Internal Audit

**Ato Bayissa Milkessa**
Director - Legal Service





# Executive Management

**Ato Beneyam Mesfin**
Director - Branch Operations and Performance Management

**Ato Dagmawi Kassahun**
Director - International Banking Service

**Ato Desalegn Fisehatsion**
Director - Finance and Treasury

**Ato Kolcha Mega**
Director - Facilities Managment

**Ato Shimelis Tesfaye**
A/Director - Risk and Compliance Management

**Ato Wale Yirga**
Director-Human Resource Management

**Ato Wossen Alemeye**
Director-Information Systems

**Ato Yared Aguade**
Director- Engineering and Property Valuation


# MESSAGE FROM THE BOARD CHAIRMAN

I am honored to present to you, honorable shareholders, the 7th annual performance report of Berhan International Bank S.C on behalf of my fellow Board Members and myself. I am very happy with the impressive and strong operational result of the Bank in the fiscal year 2015/16.

In the fiscal year 2015/16, the economy of Ethiopia has fairly been stable with few hindrances slowing down the growth pace. Yet, due to the various efforts made by the government in attracting foreign direct investment and Diaspora community remittances, the inflow of foreign exchange has shown improvement. In addition, the launching of implementation of GTP II has also opened sizable opportunities to the financial industry.

On the backdrop of these opportunities, our Bank managed to achieve profit before tax of Birr 349.8 million exhibiting a growth rate of 152 percent compared with the preceding financial year. This credible accomplishment has made the Bank to be one of the most competitive private banks in the financial industry in Ethiopia.

Overall, the Bank's performance during the fiscal year under consideration was quite impressive in light of achievements of key performance areas.

Such outstanding performance of the Bank was the result of effective implementation of the Five Year Strategic Plan, which was approved by the Board at the beginning of the captioned fiscal year. In connection with this, the Bank's organizational structure was revised and proper manning was put in place. In a bid to streamline the decision making process, the Board has approved revision of several policies and procedure manuals with a view to helping the Bank to promptly respond to the changing business environment.





As regards the coming fiscal year, we planned to exert relentless effort to sustain the growth momentum and make Berhan Bank more competitive in the industry. Accordingly, various strategies that would help realize the targets set for the coming year have already been put in place.

In the next fiscal year, the Board will give prior attention to raise the Bank's paid-up capital, enhance human resource development and install state of the art IT infrastructure, among others. Moreover, the Board will continue its effort to help the Bank acquire its own headquarters building.

Finally, I would like to extend my sincere and special gratitude to the Bank's employees for their dedication and belongingness to the Bank. I am also grateful to our customers for their loyalty and patronage. Last but not least, I would like to thank the Bank's shareholders and the National Bank of Ethiopia for the genuine support they extended all through the year under consideration.

Thank you.

Solomon Alemseged

# MESSAGE FROM THE PRESIDENT

On behalf of the Management and myself, I am pleased to present to you the 7th year annual performance report of Berhan International Bank, which has indeed witnessed the ever shining of our Bank in the industry.

Our Bank registered tremendous achievements during 2015/16 fiscal year addressing the market challenges posed due to developments in the national and international business environment on one hand and embracing business opportunities enshrined thereof. The Bank, therefore, was able to record remarkable results in the various key performance areas that attested its business success in the fiscal year in caption. The Bank's total asset increased to for Birr 7.2 billion depicting annual increment of Birr 3billion (72.5%). The total capital reached to Birr 1.1 billion whereas the paid-up capital stood at Birr 730.6 million. Both total capital and paid-up capital increased with an annual growth rate of 45.9 percent and 27.5 percent respectively. On the other hand, the Bank earned a total income of Birr 786 million notably registering a 111percent growth from the prior year.

During the year, the Bank managed to earn a profit before tax of Birr349.8 million with annual net increment of Birr 211.2 million or growth rate of 152 percent. Furthermore, the Bank mobilized a total deposit of Birr 5.3 billion with net increment of Birr 2.2 billion compared to the last year's record. Besides, the Bank's outstanding loans and advances grew to Birr 3.8 billion depicting annual increment of Birr 1.9 billion or 97.4%, showing the growing trend of the Bank towards satisfying the needs of its credit customers. During the fiscal year under review, the Bank mobilized foreign currency of USD 130.8 million with net increment of USD 61.6 million or 88 percent annual growth rate compared to same period of last year.





As regards branch network expansion in the fiscal year, the Bank opened 33 new branches (nineteen branches in the metropolis and fourteen in outlying areas) with the aim of enhancing resource mobilization, expanding geographical coverage and accessibility. As a result, at the end of the fiscal year, the total branch network of the Bank reached 105.

To further boost the quality of customer service, electronic banking channels such as Point of Sales (PoS) machines and additional ATMs have also been deployed during the year. Moreover, the Bank introduced mobile banking service on pilot test basis and is under process to commence agency banking service.

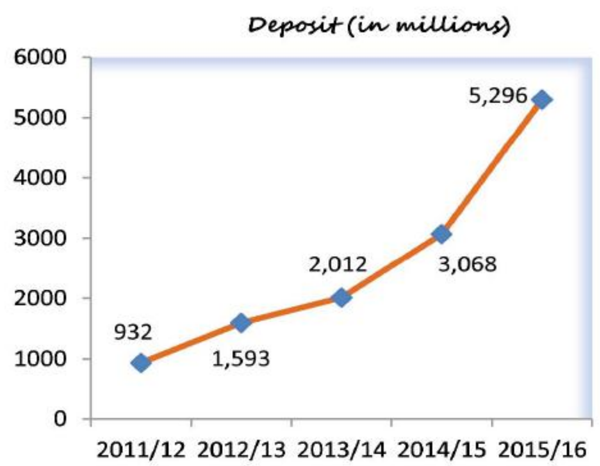
Moving forward, we are prepared to capitalize on the opportunities presented and explore new business possibilities and approaches beyond our past experience of success, which is springboard for our future achievement. We believe, through our proactive business initiatives, we will achieve a strong financial performance in the upcoming fiscal year to ensure full satisfaction of our stakeholders.

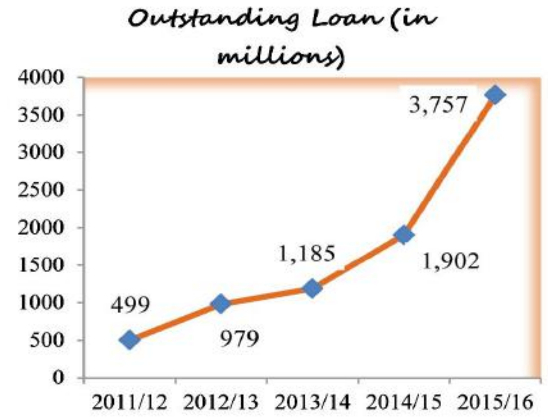
As I conclude, I would like to extend my appreciation to the Board of Directors for their commitment, cooperation and strategic guidance. My heartfelt admiration also goes to the management and entire employees of the Bank for their relentless effort, strong team spirit and dedication, which is foundation of the success of our Bank.

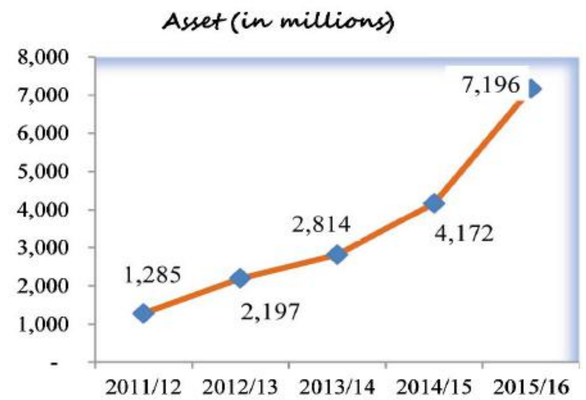
Thank you.

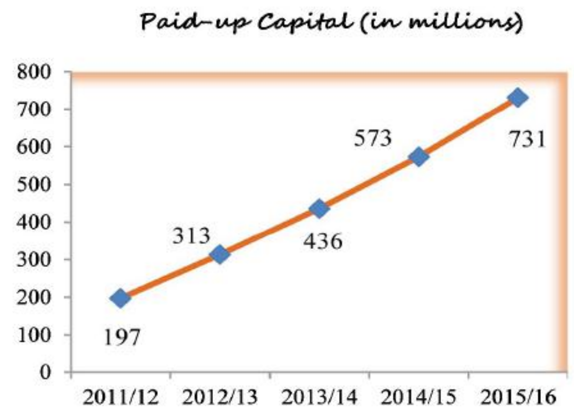
Abraham Alaro

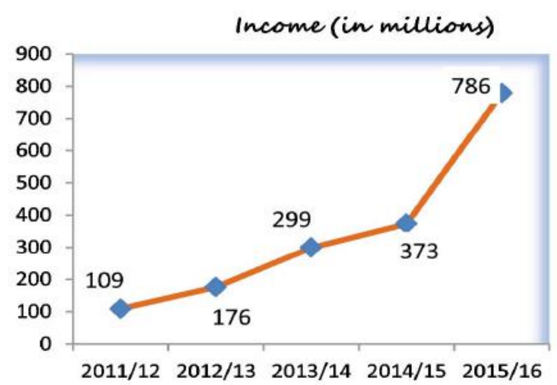
## Performance Summary

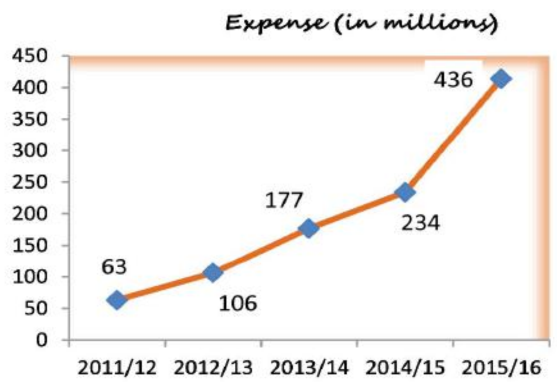


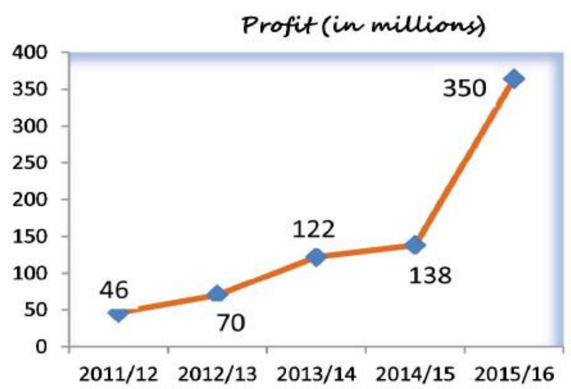



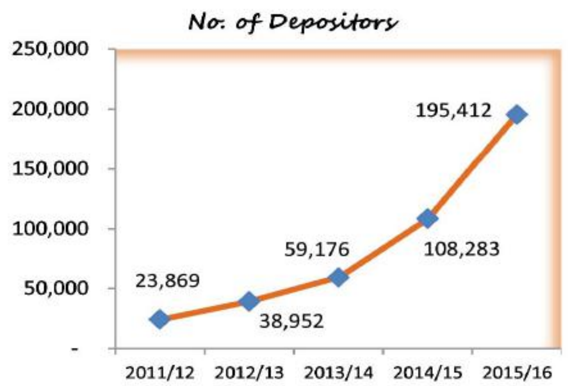








## 1. Background – Economic Highlight

Economic development and financial markets are reflections of one another. The slightest change in the financial sector of a country: either positive or negative, affects the economic growth and vice versa. After the recent financial recession in the developed countries, the world economy showed gradual improvements year-on-year. Yet, most countries' economic growth is sluggish and struggling to bounce back to the desired pace.

In the year 2015/16, output growth in advanced economies, emerging markets and developing economies showed a better picture than the previous year despite the political insecurity in relation to terrorism. Still, global economic growth slipped to 2.4 per cent in 2015 from 2.6 per cent in 2014, reflecting passive growth (UNECA Report, 2016). Moreover, productivity growth remained sluggish in most advanced economies in addition to decline in commodity price and inflation being below the target.

In Sub-Saharan Africa, the macroeconomic growth was challenging due to lower commodity price. Besides, shortage in foreign currency and drought affecting some countries resulted in lower commodity revenues. However, East Africa recorded the highest economic growth rate from the continent (UNECA report, 2016).

In the fiscal year 2015/16, the economic growth of Ethiopia is estimated around10.3percent (World Bank Report, 2015), which was one of the fastest in the continent. However, country's net exports suffered from low commodity prices and an increase in imports resulting in high foreign currency shortage straining the banking industry performance.

In addition, the drought that has affected most East African countries was another risk impeding the agricultural productivity of the country implicating on the export performance of the country. Yet, the economy of Ethiopia remained stable throughout the year positively affecting the performance of the business sector, in particular the financial industry.

Overall, the banking industry has managed to be fairly profitable working in an improving economic environment with some looming constraints.

## 2. Operational and Financial Performance

### 2.1 Highlights of Operational Performanc

#### 2.1.1 Deposit Mobilization

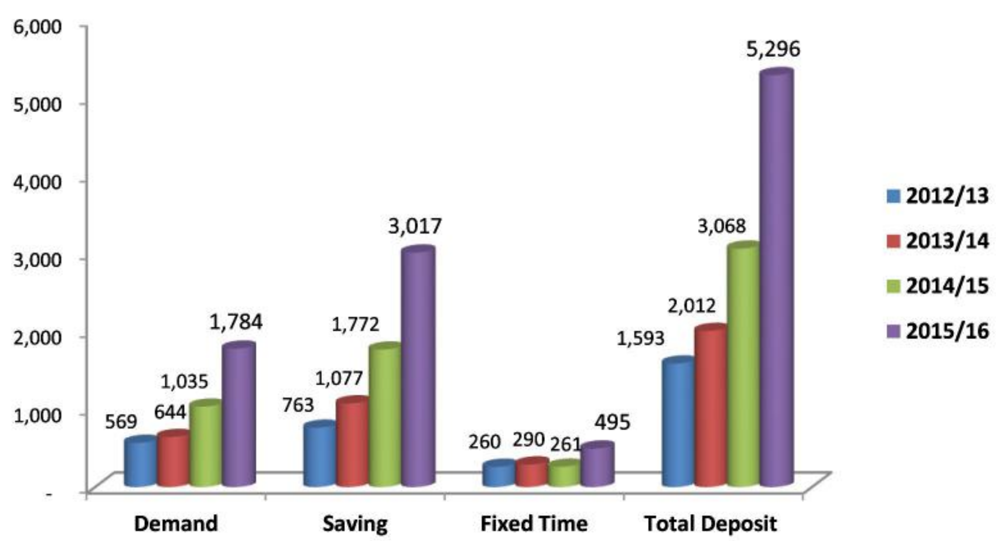
As at June 30, 2016, the Bank mobilized a total deposit of Birr 5.3 billion registering annual growth rate of 72.6 percent over the preceding financial year. The net incremental deposit from the preceding fiscal year was Birr 2.2 billion. This growth is partly attributed to the expansion of branch network across the country and strong branch performance follow up system implemented in the Bank.

In view of the components of deposit, saving deposit takes the largest share of 57 percent followed by demand deposit which accounted for 33.7 percent. The remaining share of 9.3 percent was taken by fixed time deposit.

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

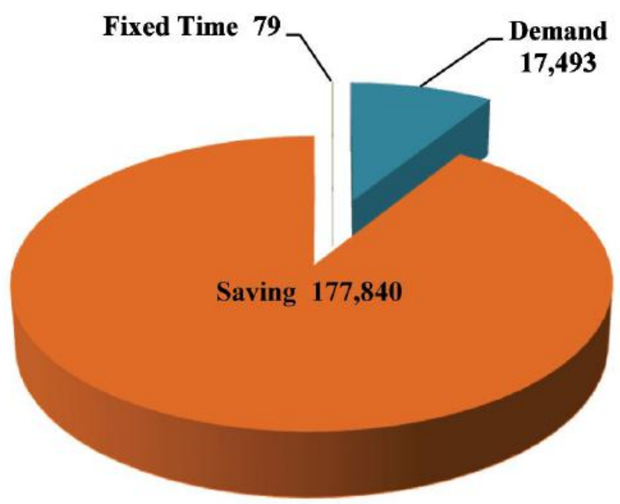
| Deposit Type | Jun-16 | % share | Jun-15 | % share | Growth | |
|---|---|---|---|---|---|---|
| | | | | | **Absolute** | **%age** |
| Demand | 1,784,131 | 33.7 | 1,034,645 | 33.7 | 749,486 | 72.4 |
| Saving | 3,017,562 | 57.0 | 1,772,517 | 57.8 | 1,245,045 | 70.2 |
| Fixed time | 494,829 | 9.3 | 260,733 | 8.5 | 234,096 | 89.8 |
| Total deposit | **5,296,522** | | **3,067,895** | | **2,228,627** | **72.6** |

Figure 1: Deposit Performance Trend in Millions of Birr




With regards to customer base expansion, the Bank's total number of depositors reached 195,412 with annual growth of 80.5 percent from the previous year's performance. Saving depositors take the lion's share from the total depositors followed by demand depositors.

Figure 2: Number of Depositors by Type




## 2.1.2 Loans and Advances

The balance of the Bank's outstanding loans and advances as at June 30, 2016 was Birr 3.76 billion. It exhibited net incremental of Birr 1.86 billion (98%) from the preceding year's balance. The Bank's strong liquidity position and its effective management as well as improved loan approval process have positively contributed to the observed growth.

The Bank has been successful in maintaining the quality of its loans during the reporting period.

Accordingly, the non-performing loans (NPLs) ratio stood at 2.5 percent, which is below the NBE's regulatory requirement of 5 percent.

Moreover, in the year under consideration, Birr 753.6 million was invested on NBE bills as per the requirement of National Bank of Ethiopia making the total of bills purchased Birr 1.57 billion.



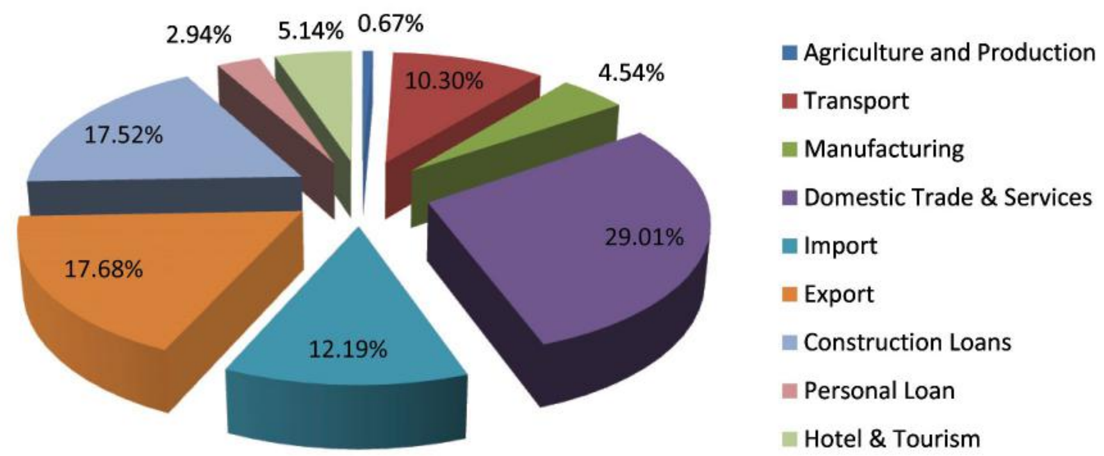


Table 2: Breakdown of Loans & Advances by sector in '000 of Birr

| Sector | Jun-16 | % share | Jun-15 | % share | Growth | |
|---|---|---|---|---|---|---|
| | | | | | **Absolute** | **%age** |
| Agriculture and Production | 25,271 | 0.67 | 2,109 | 0.11 | 23,163 | 1,098.25 |
| Transport | 387,150 | 10.30 | 261,455 | 13.75 | 125,695 | 48.08 |
| Manufacturing | 170,682 | 4.54 | 98,219 | 5.16 | 72,463 | 73.78 |
| Domestic Trade & Services | 1,090,205 | 29.01 | 776,239 | 40.82 | 313,966 | 40.45 |
| Import | 458,153 | 12.19 | 152,270 | 8.01 | 305,883 | 200.88 |
| Export | 664,250 | 17.68 | 204,874 | 10.77 | 459,376 | 224.22 |
| Construction | 658,150 | 17.52 | 243,609 | 12.81 | 414,541 | 170.17 |
| Personal | 110,449 | 2.94 | 53,670 | 2.82 | 56,779 | 105.79 |
| Hotel & Tourism | 193,077 | 5.14 | 109,388 | 5.75 | 83,689 | 76.51 |
| Total | **3,757,388** | **100** | **1,901,834** | **100** | **1,855,554** | **97.57** |

Out of the total loan disbursed, domestic trade and services takes the lion's share of 29 percent. Export and construction loans follow with 17.7 and 17.5 percent respectively, both improving from last year's performance. The figure below depicts the percentage share of outstanding loans by economic sectors.

Figure 2: Loans & Advances Breakdown by Sector




## 2.1.3 International Banking

During the reporting fiscal year, the Bank mobilized USD 130.8 million surpassing the prior year's performance with net incremental of USD 61.6 million or 88 percent annual growth rate. This growth is attributed to the Bank's strategic focus towards satisfying credit needs of export customers and expansion of remittance services.

During the same period contribution of international banking operations to the overall income was 30 percent. In addition, to enhance its foreign exchange mobilization, the Bank has finalized to start business relationship with Express Money Transfer agent, bringing the total number of its money transfer agents to seven.

## 2.2 Highlights of Financial Performance

### 2.2.1 Assets

The Bank's total assets reached Birr 7.2 billion at the end of the fiscal year depicting increment of Birr 3.0 billion and annual growth rate of 72.5percent from the previous year's record. The growth in loans & advances by 97.6 percent and investment in NBE bills by 92.6 percent took the lion's share in the growth of the Bank's total assets.

### 2.2.2 Capital

At the end of June 2016, the Bank's total capital reached Birr 1.1 billion, recording a growth of 45.9 percent from the preceding year. Likewise, the paid-up capital hits Birr 730.6 million showing a growth of 27.5 percent when compared with the previous fiscal year. The Bank's number of shareholders increased by 6.9 percent from the preceding year and reached 9,659.

**Table 3: Composition of Capital in '000 of Birr**

| Description | Jun-16 | Jun-15 | Growth | |
|---|---|---|---|---|
| | | | **Absolute** | **% age** |
| Total Capital | 1,060,237 | 726,802 | 333,435 | 45.88 |
| Paid-up Capital | 730,618 | 573,124 | 157,494 | 27.48 |
| Number of Shareholders | 9,659 | 9,039 | 620 | 6.86 |

### 2.2.3 Income

During 2015/16 fiscal year, the Bank earned a total income of Birr 786 million with a net increment of Birr 413.5 million from the prior year's performance. The income grew annually by 110.9 percent. Interest income grew by 118.9 percent from prior year's achievement contributing notably to the total revenue earned (58.6%). Non-interest income contributed 41.4 percent to total income; service charge foreign and commission foreign taking the largest share of total non-interest income with 20.8 and 23.4 percent respectively.

**Table 4: Composition of Income in '000 of Birr**

| Description | Jun-16 | % share | Jun-15 | % share | Growth | |
|---|---|---|---|---|---|---|
| | | | | | **Abso-lute** | **%age** |
| Interest Income | 460,419 | 58.56 | 210,353 | 56.43 | 250,066 | 118.88 |
| Non-interest Income | 325,836 | 41.44 | 162,385 | 43.57 | 163,451 | 100.66 |
| Total Income | **786,255** | | **372,738** | | **413,517** | **110.94** |





### 2.2.4 Expenses

The Bank incurred a total expense of Birr 436 million during 2015/16 fiscal year, depicting a growth of 86.4 percent from the preceding year. Non-interest expense had the largest share of 69.2 percent followed by interest expense with 30.8 percent share from the total expense. Both components of non-interest expense i.e. salaries & benefits and general expense had grown by 112.5 and 65.7 percent respectively, mainly due to the aggressive branch expansion activities of the Bank.

**Table 5: Composition of Expenses in '000 of Birr**

| Description | Jun-16 | % share | Jun-15 | % share | Growth | |
|---|---|---|---|---|---|---|
| | | | | | **Absolute** | **%age** |
| Total Expense | **436,475** | | **234,174** | | **202,301** | **86.39** |
| Interest Expense | 134,490 | 30.81 | 73,055 | 31.2 | 61,435 | 84.09 |
| Non-interest Expense | 301,985 | 69.19 | 161,119 | 68.8 | 140,866 | 87.43 |
| General Expense | 143,090 | 47.38 | 86,357 | 53.6 | 56,733 | 65.70 |
| Salaries & Benefits | 158,895 | 52.62 | 74,762 | 46.4 | 84,133 | 112.53 |

### 2.2.5 Profit

The Bank has earned a profit before tax of Birr 349.8 million during the reporting period surpassing the preceding year's achievement with net increment of Birr 211.2 million or growth rate of 152.4 percent. This tremendous performance was made possible with the harmonized effort of the Board of Directors, the management as well as the entire staff of the Bank towards achieving the targets set in the Strategic Plan of the Bank.

**Table 6: Composition of Profit '000 of Birr**

| Description | Jun-16 | Jun-15 | Growth | |
|---|---|---|---|---|
| | | | **Absolute** | **%age** |
| Total Income | 786,255 | 372,738 | 413,517 | 110.94 |
| Total Expense | 436,475 | 234,174 | 202,301 | 86.39 |
| Profit | **349,780** | **138,564** | **211,216** | **152.43** |

### 2.2.6 Performance Ratios

In the year under consideration, the Bank had maintained strong financial stand as measured by key performance ratio. The Loan to Deposit Ratio (LDR) was 70.9 percent at the end of June 2016 whereas the Return on Asset (ROA) stood at 4.6 percent. In addition, the Return on Equity (ROE) was positioned at 39.9 percent while the earnings per share with par value of Birr 1,000.00 becoming Birr 399.2.

On the other hand, despite the liquidity problem occurred during the year throughout the banking sector, the Bank was able to maintain steady growth in liquidity position by instituting effective liquidity management system. This has contributed enormously to the profitability and growth of the Bank.

## 3. Human Resources

In the year under consideration, the Bank recruited 748 new employees for filling various job positions including 29managerial and 106 professionals. As a result, the total number of employees at the end of June 2016 reached 1,815. The employee number has increased substantially mainly due to branch network expansion carried out during the year.

In addition, the Bank has given due attention for human resources development and invested over Birr 5 million for staff training program during the reporting period. Accordingly, various training programs, including overseas trainings, were provided for 2,204 employees on several training programs during the year. Some of the training programs include Domestic Banking Operations, International Banking Operations, Customer Service, Risk Management, Strategic Management, Corporate Governance, Supervisory Management, and Credit Appraisal.

## 4. Information Technology

The Bank has commenced providing Point-of-Sales (POS) service and planted additional 10 ATMs at branches of the Bank and various commercial centers. The Bank has also commenced mobile banking service on pilot test basis which is expected to be live to its customers on the first quarter of 2016/17 fiscal year.

As at June 30, 2016, the number of card holders has reached 24,314. In addition, a process is underway to acquire international cards such as MasterCard, Union Pay and VISA. Furthermore, the Bank is in the process of enhancing its data center and network infrastructure to handle the expanding business volume and other requirements.

## 5. Branch Expansion

As branch expansion serves as a hub to resource mobilization, accessibility and customer convenience, the Bank exerted relentless effort to expand its branch network during the fiscal year. Accordingly, it managed to open 33 new branches, of which 19 are in the metropolis and 14 are in outlying areas. Hence, the Bank's branch network at the end of the fiscal year has reached 105.

## 6. Future Plan

The year 2016/17 offers a valuable opportunity for higher performance of the Bank that can be achieved with optimal allocation of resources and ability to transfer environmental business challenges to windows of opportunities that will lead the Bank to be an outstanding performer in the industry. In this respect, the Bank plans to continue its expansion while maintaining the current steady growth momentum in the year to come. The major strategic focus areas of the Bank, hence, will be:

- Developing human resource;
- Enhancing IT infrastructure and product development;
- Strengthening resource mobilization;
- Maintaining asset quality;
- Raising paid up capital, and
- Acquiring headquarters building.



Berhan International Bank


*6th General and 2nd Extraordinary Shareholders Assembly*


*2015/16 Annual Management Meeting*

*2015/16 Budget Year Outstanding Performers*

*Female Managers of the Bank*

*Meshualekia*

*Lafto and Hana Mariam*

*Recreation program of Six Month outstanding performers of 2015 /16*

# Financed Projects

Jemo

Adama Arada

*Recreation program of Six Month outstanding performers of 2015 /16*

*Addis Ababa Meter Taxi Project*

*Mywish Enterprise*

*Gentle Hotel*



# AUDITORS' REPORT





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 2016, 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 2016 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
September 23, 2016

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

**Berhan International Bank S.C.**
**Balance Sheet**
**As at 30 June 2016**

| | Notes | Birr | 2015 |
|---|---|---|---|
| **Assets** | | | |
| Cash and Bank Deposits | 3 | 1,556,432,238 | 1,243,216,691 |
| Other Assets | 4 | 281,460,953 | 160,176,625 |
| Loans and Advances (net) | 2(f),5 | 3,701,651,929 | 1,875,485,234 |
| Investment in NBE Bills | 6.2 | 1,567,384,411 | 813,743,511 |
| Property, Plant and Equipment (net) | 2(c),(d), 8 | 64,363,186 | 54,627,356 |
| Acquired Properties | | 5,525,006 | 5,525,006 |
| Investments in Shares | 6.1 | 19,485,000 | 19,170,000 |
| **Total Assets** | | **7,196,302,723** | **4,171,944,423** |
| **Liabilities** | | | |
| Customers Deposits | 9 | 5,296,522,721 | 3,067,896,501 |
| Margin Held on Letter of Credits | | 296,357,489 | 101,180,472 |
| Other Liabilities | 10 | 456,101,747 | 242,051,476 |
| Provision for Profit Tax | 22 | 87,083,397 | 34,014,151 |
| **Total Liabilities** | | **6,136,065,354** | **3,445,142,600** |
| **Capital** | | | |
| Paid up Share Capital | 11 | 730,618,042 | 573,124,000 |
| Legal Reserve | 12 | 140,314,144 | 75,265,562 |
| Retained Earning | | 189,305,184 | 78,412,262 |
| **Total Capital** | | **1,060,237,369** | **726,801,823** |
| **Total Liabilities and Capital** | | **7,196,302,723** | **4,171,944,423** |

**Ato Solomon Alemseged**
**Chairman of the Board of Director**

**Ato Abraham Alaro**
**President**





**Berhan International Bank S.C.**
**Income Statement**
**For the Year Ended 30 June 2016**

| | Notes | Birr | 2015 |
|---|---|---|---|
| **Income** | | | |
| Interest Income | 13 | 460,419,113 | 210,352,664 |
| Commission Income | 14 | 146,365,981 | 69,348,316 |
| Service Charges | 15 | 96,007,393 | 46,597,390 |
| Gain (Loss) on Foreign Currency | | 74,433,866 | 37,288,012 |
| Other Income | 16 | 9,029,042 | 9,151,421 |
| | | **786,255,396** | **372,737,802** |
| **Expenses** | | | |
| General Expenses | 17 | 109,722,489 | 78,497,644 |
| Interest Expenses | 18 | 134,490,005 | 73,055,415 |
| Salaries & Benefits | 19 | 158,894,536 | 74,761,901 |
| Provision for Loans & Advances | 2(f) | 29,387,214 | 6,995,933 |
| Provision for Claimed Guarantees | | 3,088,328 | - |
| Audit Fee | | 120,000 | 95,076 |
| Directors Allowance | 20 | 772,000 | 768,000 |
| Total Expenses | | **436,474,572** | **234,173,969** |
| **Profit before Tax** | | **349,780,823** | **138,563,833** |
| Provision for Profit Tax | 21 | (89,586,496) | (34,014,151) |
| **Profit after Tax** | | **260,194,327** | **104,549,682** |
| Transfer to Legal Reserve | | (65,048,582) | (26,137,421) |
| **Net Profit after Tax & Legal Reserve** | | **195,145,745** | **78,412,262** |
| Earning per Share of Birr 1,000 | 23 | 399 | 207 |

**Ato Solomon Alemseged**
**Chairman of the Board of Director**

**Ato Abraham Alaro**
**President**

## Berhan International Bank S.C.
## Cash Flow Statement
## For the Year Ended 30 June 2016

| | Birr | 2015 |
|---|---|---|
| **Cash Flow From Operating Activities** | | |
| Profit before tax for the year | **349,780,823** | **138,563,833** |
| Add: | | |
| Depreciation | 16,730,024 | 14,094,824 |
| Amortization | - | 213,845 |
| prior period adjustement | (8,343,664.00) | - |
| Provision for Doubtful Loans & Advances | 29,387,214 | 6,995,933 |
| | **37,773,574** | **21,304,602** |
| **Cash Flow From Operation before Changes in Working Capital** | **387,554,397** | **159,868,435** |
| Decrease (Increase) in Loans & Advances excluding provision | (1,855,553,910) | (717,138,171) |
| Decrease (Increase) in Other Assets | (121,292,940) | (82,818,519) |
| Decrease (Increase) in Acquired Properties | - | (4,724,766) |
| Increase (Decrease) in Deposits | 2,228,626,220 | 1,056,093,249 |
| Increase (Decrease) in Margin Held Account | 195,177,017 | 63,319,762 |
| Increase (Decrease) in Other Liabilities | 214,050,271 | 62,892,212 |
| **Cash Generated From Operation** | **1,048,561,055** | **537,492,202** |
| Withholding Tax Paid | 8,615 | 11,194 |
| Profit tax Paid | (34,014,151) | (30,995,539) |
| **Net Cash flow from Operating Activities** | **1,014,555,519** | **506,507,857** |
| **Cash Flow From Investing Activities** | | |
| Purchase of Fixed Assets | (26,465,855) | (40,121,791) |
| Investment in Shares | (315,000) | (6,340,000) |
| Investment in NBE Bills | (753,640,900) | (266,256,000) |
| **Net Cash flow from Investing Activities** | **(780,421,755)** | **(312,717,791)** |
| **Cash Flow From Financing Activities** | | |
| Ordinary Shares Issued | 116,229,599 | 78,592,000 |
| Dividends Declared | (37,147,816) | (10,775,365) |
| **Net Cash flow from Financing Activities** | **79,081,783** | **67,816,635** |
| **Changes in Cash and Cash Equivalents** | **313,215,548** | **261,606,701** |
| **Cash and Cash Equivalent at the Beginning of the Year** | **1,243,216,690** | **981,609,989** |
| **Cash Balance at end of the year** | **1,556,432,238** | **1,243,216,690** |

**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 2016

Currency: Ethiopian Birr

| | Share Capital | Other Reserve | Legal Reserve | Retained Earning | Total Capital |
|---|---|---|---|---|---|
| **Balance at 1 July 2014** | **435,532,329** | **2,525,675** | **49,128,141** | **67,255,991** | **554,442,136** |
| Additional Shares issued | 78,592,000 | - | - | - | 78,592,000 |
| Dividend Capitalized | 58,999,671 | - | - | (58,999,671) | - |
| Adjustement on dividends Retained Earnings | - | 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** |
| **Balance at 1 July 2015** | **573,124,000** | - | **75,265,562** | **78,412,262** | **726,801,823** |
| Additional Shares issued | 116,229,599 | - | - | - | 116,229,599 |
| Prior period adjustement | | | | (5,840,565) | (5,840,565) |
| Dividend Capitalized | 41,264,443 | - | - | (41,264,443) | - |
| Dividends Declared-2015 | - | - | - | (37,147,816) | (37,147,816) |
| Profit for the Year | - | - | - | 260,194,327 | 260,194,327 |
| Transfer to Legal Reserve | - | - | 65,048,582 | (65,048,582) | - |
| **Balance at 30 June 2016** | **730,618,042** | - | **140,314,144** | **189,305,184** | **1,060,237,369** |

**Ato Solomon Alemseged**
**Chairman of the Board of Director**

**Ato Abraham Alaro**
**President**

**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**1 General Information**
Berhan International Bank share company is 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 01 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 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 | 2015 |
|---|---|---|
| Cash on Hand- Local Currency | 754,663,733 | 448,399,996 |
| Cash on Hand- Foreign Currency | 7,906,536 | 11,812,732 |
| Reserve Account with NBE | 255,000,000 | 155,000,000 |
| Payment & Settlement Account with NBE | 49,006,249 | 13,050,386 |
| Issue Account with NBE | 69,119,800 | 15,408,000 |
| Deposit with Local Banks | 157,862,141 | 470,940,351 |
| Deposit with Foreign Banks | 262,873,779 | 128,605,226 |
| | 1,556,432,238 | 1,243,216,691 |



Berhan International Bank

**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

| 4 Other Assets | Birr | 2015 |
|---|---|---|
| Uncleared Effects - Local | 2,075,205 | 6,448,934 |
| Uncleared Effects - Foreign | 66,390,703 | 16,909,595 |
| Supplies Stock Account | 3,192,839 | 1,781,643 |
| Accrued Interest Receivable on Time/Special Deposit | 1,534,304 | 9,652,958 |
| Accrued Interest Receivable on Government Bond | 23,025,352 | 9,081,776 |
| Prepaid Office Rent | 77,432,902 | 58,839,574 |
| Purchase Advances | 36,429,283 | 5,452,975 |
| Fixed Assets in Store | 2,268,523 | 2,250,957 |
| Prepaid RUBIKON License Fee | 686,172 | 584,860 |
| Miscellaneous | 38,226,378 | 27,755,457 |
| ATM and Check clearing account | 10,959,576 | 9,703,996 |
| Emergency Staff Loan | 18,141,451 | 10,881,471 |
| Prepaid Insurance | 1,098,313 | 832,429 |
| | 281,460,953 | 160,176,625 |

| 5 Loans and Advances | Birr | 2015 |
|---|---|---|
| Agriculture & Production | 25,271,358 | 2,108,599 |
| Transport | 387,150,102 | 261,455,382 |
| Manufacturing | 170,682,066 | 98,219,460 |
| Domestic Trade & Services | 1,090,205,295 | 776,239,384 |
| Import and Export | 1,122,402,658 | 357,144,548 |
| Construction Loans | 658,150,285 | 243,608,890 |
| Personal Loan | 110,448,952 | 53,670,008 |
| Hotel and Tourism | 193,077,344 | 109,387,880 |
| **Total Loan Balance** | 3,757,388,061 | 1,901,834,151 |
| Less: Provision for Bad Loans & Advances | (55,736,131) | (26,348,917) |
| | 3,701,651,929 | 1,875,485,234 |

**6 Investments**

| 6.1. Investments in Shares | Birr | 2015 |
|---|---|---|
| Berhan Insurance S.C. | 3,315,000 | 3,000,000 |
| Premier Switch Solution S.C. | 4,800,000 | 4,800,000 |
| Ethio Switch S.C. | 11,370,000 | 11,370,000 |
| | 19,485,000 | 19,170,000 |

**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 | 2015 |
|---|---|---|
| Establishet cost | - | 4,276,883 |
| Less:Amortisation | | |
| Opening balance | - | 4,063,039 |
| Amortisation during the year | - | 213,844 |
| | - | 4,276,883 |
| Balance carried Forward | - | - |

**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**8 Property, Plant & Equipment**

| | Balance at 30 June 2015 | Additions | Adjustment | Balance at 30 June 2016 |
|---|---|---|---|---|
| **Cost** | | | | |
| Building | 1,849,459 | - | - | 1,849,459 |
| Furniture & Fittings | 14,289,294 | 9,237,367 | - | 23,526,661 |
| Office & Other Equipment | 20,200,503 | 6,471,081 | | 26,671,584 |
| Computer and Accessories | 16,052,796 | 4,924,444 | - | 20,977,240 |
| Computer Software | 7,713,487 | 979,297 | - | 8,692,784 |
| Motor Vehicle | 34,075,046 | 4,853,666 | - | 38,928,712 |
| | **94,180,584** | **26,465,855** | - | **120,646,439** |
| **Depreciation** | | | | |
| Building | 92,473 | 92,473 | - | 184,946 |
| Furniture & Fittings | 5,602,863 | 3,584,760 | - | 9,187,623 |
| Office & Other Equipment | 7,572,725 | 3,819,772 | | 11,392,497 |
| Computer and Accessories | 9,040,430 | 2,984,202 | - | 12,024,633 |
| Computer Software | 5,223,466 | 867,329 | - | 6,090,796 |
| Motor Vehicle | 12,021,272 | 5,381,488 | - | 17,402,760 |
| | **39,553,229** | **16,730,024** | - | **56,283,253** |
| **Net Book Value** | **54,627,356** | | | **64,363,186** |

**9 Deposits**

| | Demand | Saving | Time Deposit | Total |
|---|---|---|---|---|
| Business | 1,070,186,488 | 610,102,654 | - | 1,680,289,142 |
| Personal | 644,930,397 | 2,346,459,838 | 263,030,654 | 3,254,420,889 |
| Non Resident FCY | 23,014,198 | - | - | 23,014,198 |
| Diaspora Account | 24,991,421 | - | - | 24,991,421 |
| Retention Account | 21,008,719 | - | - | 21,008,719 |
| Provident Fund | - | 49,104,783 | - | 49,104,783 |
| Staff Savings | - | 11,894,879 | - | 11,894,879 |
| Financial Institution | - | - | 231,798,690 | 231,798,690 |
| **Balance as at 30 June 2016** | **1,784,131,223** | **3,017,562,154** | **494,829,344** | **5,296,522,721** |
| **Balance as at 30 June 2015** | **103,464,544** | **1,772,517,528** | **260,733,529** | **3,067,896,501** |





**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**10 Other Liabilities**

| | Birr | 2015 |
|---|---|---|
| Accrued Interest on Fixed Time Deposits | 19,583,448 | 13,220,066 |
| Accrued Leave Payables | 7,226,061 | 4,564,953 |
| Sundry Payables | 6,949,576 | 3,139,943 |
| Blocked Amount/Accounts | 35,284,018 | 7,012,808 |
| CPO & Certified Cheques | 162,342,857 | 126,608,923 |
| Exchange Commission Payable to NBE | 8,080,824 | 3,222,100 |
| Collection from Shareholders | 32,777 | 32,777 |
| Pension Fund Payable | 2,223,704 | 723,144 |
| Income Taxes payable | 4,664,720 | 1,345,171 |
| Duties Contributions and other taxes | 1,172,425 | 1,047,499 |
| Unearned and Unapplied Interest | 13,724,909 | 2,921,838 |
| Interest Suspense | 70,986 | 4,058,477 |
| Audit Fee Payable | 120,000 | 86,250 |
| Withholding Taxes payable | 301,076 | 160,262 |
| Value Added Tax payable | 154,500 | 2,348 |
| Bonus Payable | 23,490,385 | - |
| Dividend Tax Payable | 2,579,049 | 307,338 |
| Dividend payable | 23,803,340 | 2,571,820 |
| Cheque Clearance | 17,530,692 | 7,109,225 |
| Amount Blocked for Guarantees Issuance | 85,408,202 | 56,116,213 |
| Provision for claimed Guarantees | 9,896,176 | 6,828,586 |
| ATM settlement Remote on US | 12,131,520 | 967,398 |
| Term Loan Interest Suspense [all] | 9,582,380 | - |
| 5% Tax On Interest Paid On p Saving Account | 540,751 | - |
| Fund Transfer suspense | 7,806,053 | - |
| Purchase payable | 1,372,362 | - |
| Cost Sharing Payable | 28,958 | 4,337 |
| | **456,101,747** | **242,051,476** |

**11 Paid up Share Capital**

Total subscribed shares at the balance sheet date is Birr 731,268,042 out of which Birr 730,618,042 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 | 2015 |
|---|---|---|
| Interest earned on Loans & Advances | 407,182,710 | 180,742,635 |
| Interest earned on Surplus Fund | 53,236,403 | 29,610,029 |
| | **460,419,113** | **210,352,664** |

**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**14 Commission Income**

| | Birr | 2015 |
|---|---|---|
| Import Letters of Credit | 37,488,608 | 15,538,228 |
| Commission on Purchase order & Other Services | 38,840,055 | 14,866,838 |
| Commission on Letter Of Guarantee | 70,037,318 | 38,943,250 |
| | **146,365,981** | **69,348,316** |

**15 Service Charges**

| | Birr | 2015 |
|---|---|---|
| Service Charge- Local | 28,174,114 | 6,285,036 |
| Service Charge- Foreign | 67,833,279 | 40,312,353 |
| | **96,007,393** | **46,597,390** |

**16 Other Income**

| | Birr | 2015 |
|---|---|---|
| Estimation and Inspection Fee | 844,650 | 549,145 |
| Commitement charges collected | 880,836 | 1,617,454 |
| Bankers Cheque Issue charges | 1,602,285 | 1,173,392 |
| Telephone and SWIFT | 1,942,398 | 607,268 |
| Cash Surplus | 102,682 | 82,155 |
| Income from Claimed Guarantees | - | 3,304,535 |
| Sundries | 3,656,192 | 1,817,472 |
| | **9,029,042** | **9,151,421** |

**17 General Expenses**

| | Birr | 2015 |
|---|---|---|
| Depreciation | 16,730,024 | 14,094,825 |
| Amortization of Establishment Cost | 0 | 213,845 |
| Rent | 41,998,335 | 22,940,836 |
| Stationery & Office Supplies | 7,127,454 | 4,066,967 |
| Business Travel & Transportation | 843,996 | 619,285 |
| Communication | 6,411,202 | 3,770,061 |
| Fees | 317,737 | 274,976 |
| Insurance | 3,375,487 | 2,411,800 |
| Taxes | 38,811 | 18,946 |
| Fuel & Lubricant | 2,204,265 | 1,700,193 |
| Wages | 424,259 | 257,091 |
| Sundries | 1,839,506 | 662,597 |
| Perdiem and Travel | 1,531,724 | 856,385 |
| Conference & Meeting | 689,571 | 740,283 |
| Repair & Maintenance | 4,229,684 | 3,669,291 |
| Utilities | 613,019 | 308,846 |
| Bank Charges | 884,371 | 678,816 |
| Advertisement/ Publicity | 6,401,049 | 4,882,224 |
| Business Promotion | 804,736 | 2,188,285 |
| Loss on FCY Account | 7,403,691 | 10,038,779 |
| Inauguration | 5,887 | 17,231 |
| Professional Fee | 211,246 | 561,621 |
| Security and Janitorial Service | 5,017 | 204,914 |
| Entertainment | 4,777,722 | 2,286,136 |
| Loss on Disposal | - | 29,124 |
| PSS Related Expenses | 801,548 | 533,028 |
| Penalty Charges | 52,151 | 471,259 |
| | **109,722,489** | **78,497,644** |





**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**18 Interest Expenses**

| | Birr | 2015 |
|---|---|---|
| Interest on Saving Deposits | 90,368,782 | 52,284,244 |
| Interest on Fixed Time Deposits | 44,121,223 | 20,771,171 |
| | **134,490,005** | **73,055,415** |

**19 Salaries and Benefits**

| | Birr | 2015 |
|---|---|---|
| Clerical Staff Salaries | 76,707,299 | 44,234,506 |
| Non Clerical Staff Salaries | 17,005,127 | 9,120,592 |
| Provident Fund Contribution | 2,183,646 | 1,748,483 |
| Cash Indemnity Allowance | 2,286,324 | 1,426,566 |
| Uniforms | 2,692,211 | 1,723,872 |
| Training & Education | 4,714,035 | 320,168 |
| Severance & Leave Pay | 3,567,689 | 2,369,406 |
| Medical | 1,624,345 | 772,860 |
| Bonus | 23,803,340 | - |
| Other Allowance & Benefits | 3,938,235 | 1,800,653 |
| Representation Allowance | 889,571 | 559,385 |
| Fuel Allowance | 9,119,851 | 6,055,419 |
| Overtime Payments | 1,440,706 | 2,818 |
| Pension Fund Contribution | 8,922,159 | 4,627,173 |
| | **158,894,536** | **74,761,901** |

**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 | 2015 |
|---|---|---|
| Profit before tax | **349,780,823** | **138,563,833** |
| **Less: Interest income taxed at source** | | |
| Interest on deposit with other domestic banks | (17,321,981) | (10,593,308) |
| Interest on treasury Bills and NBE bills | (35,883,880) | (19,005,632) |
| Interest on Deposit with Foreign banks | (30,541) | (11,089) |
| Dividend income | 314,580 | 0 |
| | **(52,921,823)** | **(29,610,029)** |
| **Add: Disallowed Expenses** | | |
| Entertainments | 1,605,411 | 2,286,136 |
| 5% tax on interest income | 0 | 0 |
| Loss on Disposal | - | 29,124 |
| Donations | 100,000 | 1,640,180 |
| Fines and penalities | 52,151 | 471,259 |
| | **1,757,562** | **4,426,699** |
| **Taxable Profit** | **298,616,563** | **113,380,503** |
| Provision for Taxation (at 30% tax rate) | 89,584,969 | 34,014,151 |
| **Add:**5% of interest on foreign deposits | 1,527 | - |
| | **89,586,496** | **34,014,151** |

**Berhan International Bank S.C.**
**Notes to the accounts**
**For the Year Ended 30 June 2016**

**22 Provision for Profit Tax**

| | Birr | 2015 |
|---|---|---|
| Balance Brought Forward | 34,014,151 | 30,995,539 |
| Profit Tax Paid During the year & WHT Receivable | (34,014,151) | (30,995,539) |
| Current Year Provision for Profit Tax | 89,586,496 | 34,014,151 |
| Less: adjustement for prior period expense | (2,503,099) | - |
| Balance Carried Forward | 87,083,397 | 34,014,151 |

**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 | 2015 |
|---|---|---|
| Guarantees Issued and Outstanding | 1,675,854,813 | 1,009,771,066 |
| Commitments on Letter of Credit net of Margin Paid | 245,767,023 | 113,626,237 |
| Loan Approved but not Disbursed | 77,523,329 | 189,466,273 |
| | 1,999,145,165 | 1,312,863,576 |

A tax asseesment was conducted by the Ethiopia Revenue and Custom Authority covering the financial years from 2002 E.C. to 2006 E.C. Additional taxes, interest and penality amounting to Birr 33,145,639,34 was levied by the tax office. However, the bank has applealed to the tax appeal tribunal against the additional taxes for which hearing is not conducted and the decision is not yet known.

Berhan International Bank S.C.

TAY and Company PLC
Addis Ababa, Ethiopia