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BERHAN INTERNATIONAL BANK

Annual Report
June 2016/17

Vision

To be a radiant and trustworthy bank in excellence

Mission

Provide diverse financial products by deploying motivated

and qualified human resource as well as up-to-date

technology with highest ethical standard

to create maximum value to stakeholders

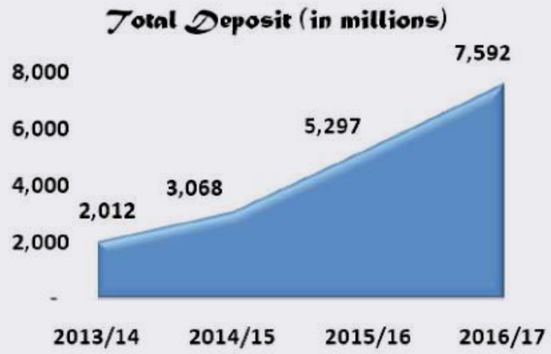
Values

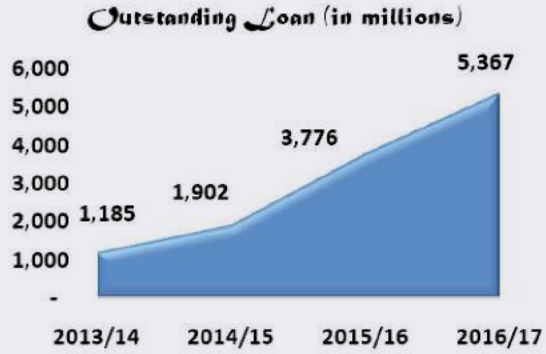
- **Quality service**
- **Utmost respect to customers**
- **Innovation, excellence and progress**
- **Integrity and loyalty**
- **Professionalism and team spirit**
- **Collaboration and partnership**
- **Public confidence and trust**
- **Fairness**
- **Confidentiality**

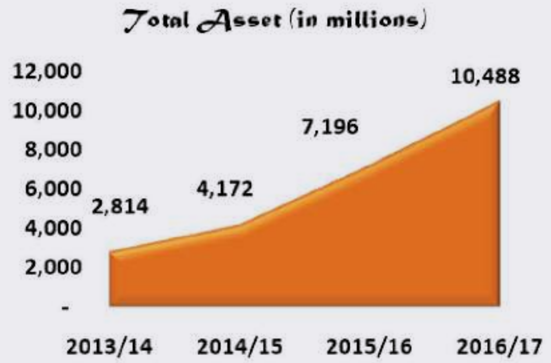
CONTENTS

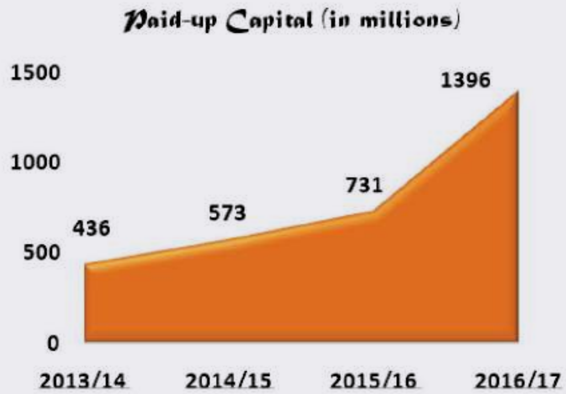
Our New Deposit products!

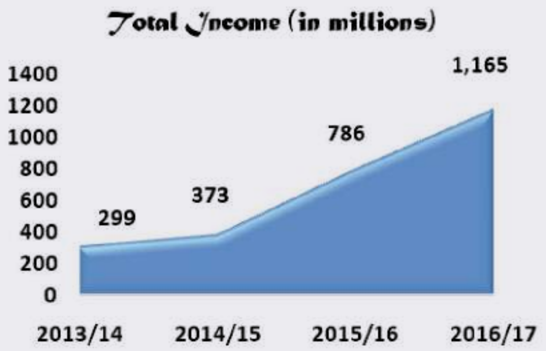
Performance Summary

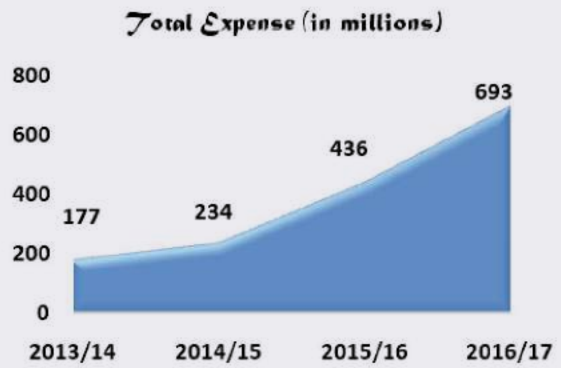


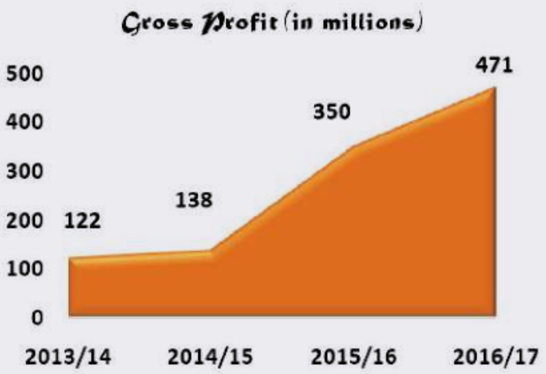


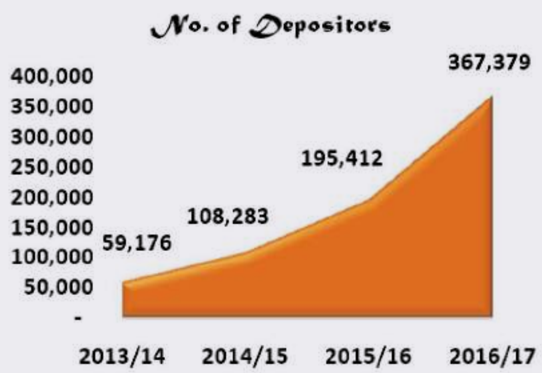












Board of Directors

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 & Corporate Services

Ato Amanuel Taddese
Director-Credit Management

Ato Shemels Tesfaye
Executive Assistant to the President

W/ro Semenawit Abadi
Director- Corporate Planning & Strategic Management

Ato Awoke Angamo
A/Director - Internal Audit

Ato Bayissa Milkessa
Director - Legal Service

Ato Beneyam Mesfin
Director - Branch Operations & Supervision

Ato Dagmawi Kassahun
Director - International Banking Services

Ato Desalegn Fisehatsion
Director - Finance & Treasury

Ato Kolcha Mega
Director - Facilities Managment

Ato Anteneh Mekonnen
Director - Risk & Compliance Management

Ato Wale Yirga
Director-Human Resource Management

Ato Wossen Alemeye
Director-Information Systems

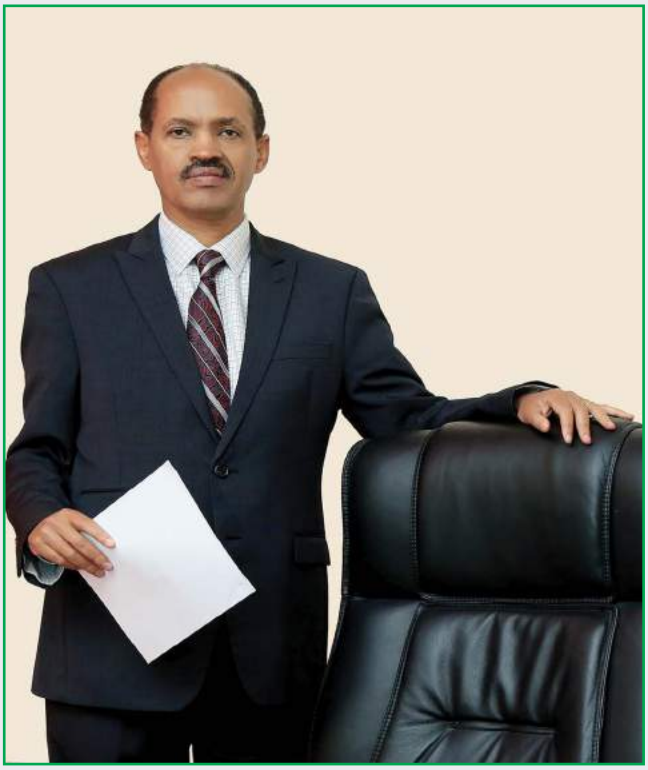
Ato Masresha H /Michael
Director-Corporate Customers & Strategic Partnership

Ato Yared Aguade
Director- Engineering & Valuation

W/ro Elsa Ketema
Director -Resource Mobilization & Branch Performance Management System

Ato Daniel G/Medhin
A/ Director- Innovation, Marketing & Business Development

Message from the Board Chairman



I feel great honor to present to you the 8th annual performance report of Berhan International Bank for the year ended June 30, 2017 on behalf of the Board of Directors and myself.

I am very pleased with the strong performance records that our Bank achieved in key performance areas during the captioned reporting year and also the steady growth momentum that our Bank is picking through successive years of its business operations.

Accordingly, our Bank is noted to build stronger customer base, enhanced public image, strengthened financial and operational capabilities which would put it in a better position to serve its esteemed customers and thereby maximize its shareholders' interest as well as to contribute to the growth of the national economy. We also note that it is encouraging to see these significant improvements while there is still long journey ahead of us.

In the fiscal year 2016/17, our Bank's paid-up capital astoundingly raised to Birr 1.4 billion, from Birr 731 million of last year same period, registering annual growth of 91 percent. Moreover, we were able to earn a profit before tax of Birr 471.4 million with annual growth rate of 34.8 percent and return on equity (ROE) of 32.8 percent. Besides, the Bank's deposit, loan book, number of depositors, and number of branches grew significantly during the year under review. These are some of the remarkable success records our Bank achieved during the year.

Nonetheless, the Bank also faced number of challenges during the year. The termination of relationship with the Bank's correspondent bank, Deutsche Bank, stiff market competition and shortage of foreign currency in the economy were foremost, among others. It is obvious that such challenges had adverse effect on resource mobilization and the Bank's performance at large. However, the financial year under review was a successful one to our Bank because of the concerted effort of the Bank's staff, management and Board of Directors.

In the fiscal year, our Bank has improved customer & employee satisfaction, embraced technological changes and continued to reinforce its values of business conduct.

The major strategic focus areas in the year were strengthening resource mobilization, enhancing IT infrastructure, and human resource development. In addition, we focused on raising paid-up capital and maintaining asset quality which were successfully executed. The Bank is still working on acquiring land to build it's headquarter.

In the succeeding fiscal year, our Bank will continue to embrace opportunities and exert continuous efforts, as our goal is to sustain the growth momentum and build strong reputation in the industry. We also want to work responsibly and create the best value to our stakeholders. Our management team and employees are, therefore, enthusiastic and committed with a great team spirit to achieve the corporate goals.

Finally, on behalf of the Board of Directors, I would like to congratulate our Shareholders' the remarkable achievements of Our Bank recorded during the year . I also would like to extend my appreciation to our esteemed customers who preferred to work with us and whom we count on to work with us in the future; and the National Bank of Ethiopia for the support it rendered during the fiscal year.

Thank You

Solomon Alemseged

The Bank's President Message

I feel privileged to present to you the annual performance report of Berhan International Bank ended June 30, 2017.

Our Bank registered excellent performance withstanding stiff market competition in the dynamic financial industry of the country. Our major goal of the fiscal year was to sustain and achieve higher business growth of the Bank. Accordingly, we allocated our resources on strategic business areas where we saw growth opportunities for banking business. In the financial year 2016/17, the total capital of the Bank reached Birr 1.9 billion with annual growth rate of 77.8 percent whereas the paid-up capital of the Bank reached Birr 1.4 billion recording annual growth rate of 91.1 percent. Moreover, our Bank mobilized a total deposit of Birr 7.6 billion with annual growth rate of 43.3 percent while the outstanding loan of the Bank reached Birr 5.4 billion wherein the annual growth rate was 42.1 percent. The total asset of our Bank stretched to Birr 10.5 billion exhibiting annual growth rate of 45.8 percent. On the other hand, the Bank mobilized USD 124.9 million slightly lower than the previous year's performance mainly due to shortage of foreign currency in the country. During the year, our Bank earned a profit before tax of Birr 471.4 million. This is 34.8 percent growth over the previous year's performance of the Bank.

Concerning branch network expansion, our Bank opened 56 new branches (18 in metropolis and 38 in outlying areas) targeting expanding geographic coverage and enhancing resource mobilization. The total number of branches, hence, reached 161 by the end of the fiscal year.

On the other hand maximizing customer satisfaction and service quality has been one of the major Gals set for the year under review. For this reason, we commenced mobile banking service, installed additional ATM and PoS machines at different market Places. On top of this, the Bank developed 7 new deposit products which were commenced during the fiscal year. On the other hand various electronic banking products were also on pipeline to be commenced in the coming financial year in order to creat greator convenience and accessibility to our customers. Also our Bank has signed membership agreement with Ethiopian Commodity Exchange (ECX) to facilitate the payment system of trade transactions.

This is believed to have positive impact in terms of facilitating smooth business transaction of our esteemed export customers. Thus, this will way the Bank to boost its foreign exchange earnings.
With regards to capacity building, our Bank focused on human resource development where several local and over seas training programs were provided to its staff. The Bank also strived to provide safe, rewarding and satisfying working environment to its staff. In this regard, our Bank won international award of " the best company to won for 2016 (overall top performing Company)" based on the survey made in 2016 by Deloitte, an Internationally Consulting Firm.

Nevertheless, our Bank was seriously challenged to address the foreign currency needs of its customers due to the shortage of foreign currency. On top of this, the termination of relationship with the Bank's correspondent bank, Deutsche Bank, highly affected our international banking services. However, our Bank tackled the obstacles and proved to be one of the most competitive private banks in the industry.

As regards the future business of the Bank, the management remains fully committed to maintain the success records achieved so far, ensuring the successful implementation of the business strategies set in the strategic document of the Bank.

Finally, I would like to appreciate the management and the staff for their extraordinary dedication and commitment towards achieving the business goals of our Bank. I would also like to appreciate our esteemed customers who worked with us during the year.

Thank you.

Abraham Alaro

1. Ethiopian Economy and Banking Sector Highlight

Ethiopia has continued to become one of the fastest growing economy in Africa. The country highly emphasized on foreign direct investment (FDI), export oriented industrialization and private sector development. Ethiopia has recorded an economic growth of 10.9 percent in the fiscal year 2016/17. The industrial and service sectors have also shown 18.7 percent and 10.3 percent growth respectively.

The country's total exports were 2.87 billion dollar in 2015/16, while imports for the same period expanded to 16.72 billion dollar. Further, according to World Investment Report, Ethiopia has become one of the largest recipient of FDI registering a 46 percent increase of FDI flow in 2016. In addition, the country's stability-oriented macroeconomic policies maintained the inflation low. In addition, foreign exchange reserve shortage escalated due to the mounting number of government and private owned projects in the country (World Factbook, 2017).

The financial sector has taken a stronghold in the economic development of Ethiopia as the economy shifts its dependence to industrial production from agricultural production. The role of banks, at this point, remains fundamental in financing economic activities in general and different segments of the market in particular. The sector is a source of fund to industrial zones, mega projects the country is currently undertaking, Small and Medium Enterprises (SME) projects etc.

The banking sector dominates the financial sector of Ethiopia in terms of value, market share and services offered to the public. Today, the banking system of Ethiopia is shifting from conventional banking to electronic banking by adopting state-of-the-art technology. Subsequently, several electronic banking services i.e. mobile banking, internet banking, ATM & POS machine services and agency banking are embraced in the product & service menus of banks to further make service use effortless. However, banking penetration still remains low as compared with other African economies.

The banking sector enjoys a number of advantages. The fact that majority of Ethiopian population is not financially included, the infrastructural developments, perception changes of the society towards banking services and technological advancements are worth mentioning. Directives issued by the governing body, National Bank of Ethiopia, has also augment the activities of the sector. In the fiscal year 2016/17, Private Banks' deposit and outstanding loan grew approximately by 37 and 46 percent respectively. In addition, their asset grew approximately by 36 percent, total capital by 38 percent and branch expansion by 40 percent. Nevertheless, in recent years,the performance of the banking system has been challenged by foreign currency shortage and liquidity problems.

Regardless of the challenges, Berhan Bank, one of the private banks in the sector, has been actively moving to boost its market share and also contribute to the economic development of the country at large. The Bank has almost addressed all zonal cities of the country through branch network.The Bank has also implemented several strategies to mobilize resources from different sectors of the economy. By and large, the Bank was able to build a positive public image, record credible performance and become one of the most competitive private banks in the industry.

Annual General Meeting of Shareholders

2. Operational and Financial Performance

2.1 Operational Performance Highlights

2.1.1 Deposit Mobilization

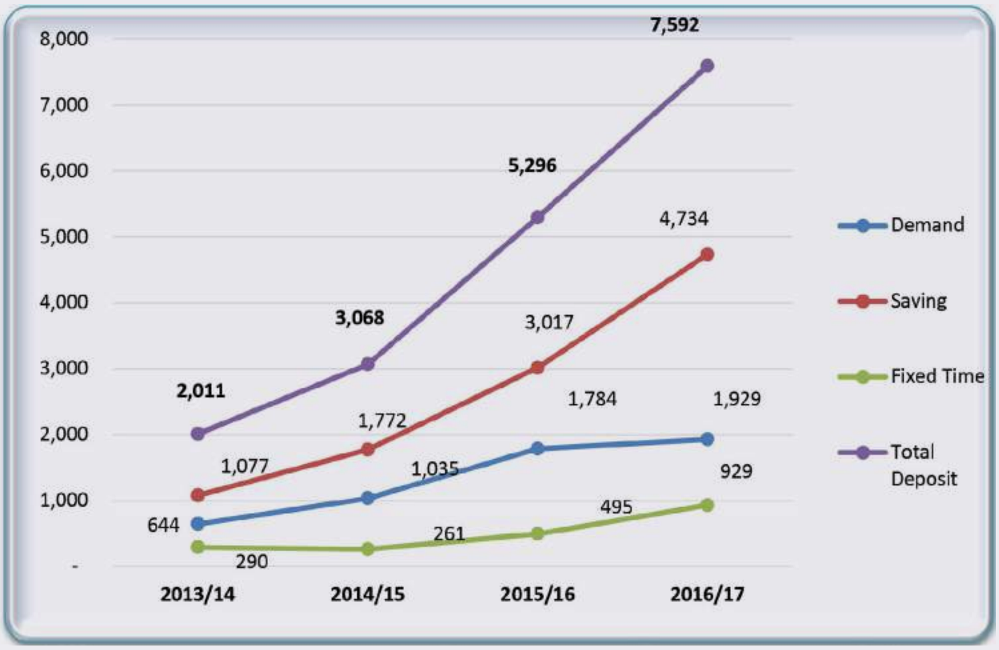
As at June 30, 2017, the Bank recorded a total deposit of Birr 7.6 billion registering annual growth rate of 43.3 percent. The net incremental deposit from the prior year was Birr 2.3 billion. In terms of the components of deposit, saving deposit took the lion's share with 62.4 percent (Birr 4.7 billion) followed by demand deposit with 25.4 percent (Birr 1.9 billion). The remaining 12.2 percent share (Birr 930 million) of the total deposit was taken by fixed time deposit.

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

Description	Jun-17	% Share	Jun-16	% Share	Growth	
					Absolute	%age
Total Deposit	**7,592,400**		**5,296,522**		**2,295,878**	**43.3**
Demand	1,928,296	25.4	1,784,131	33.7	144,165	8.1
Saving	4,734,230	62.4	3,017,562	57.0	1,716,668	56.9
Fixed Time	929,874	12.2	494,829	9.3	435,045	87.9

As the figure below depicts, the Bank's total deposit significantly augmented year-on-year due to its continuous resource mobilization activities, branch network expansion and strong follow-up system.

Figure 1: Deposit Performance Trend in '000 of Birr



In relation to customer base expansion, the total number of depositors reached 367,379 as at June 30, 2017 attaining an increase of 171,967 over the preceding year. In terms of growth rate, the number of depositors grew by 88 percent as compared to the prior fiscal year. The Bank sustained customer base growth year-on-year as it relentlessly expanded its accessibility through branch expansion. The Bank has also diversified its products and services menu by adding seven new deposit products which are women, children, student, family, gift, SME and payroll accounts.

2.1.2 Loans and Advances

The Bank's outstanding loan as at June 30,2017 reached Birr 5.4 billion with net annual incremental outstanding loan of Birr 1.6 billion and annual growth rate of 42.1 percent as compared to the preceding year's performance. Additionally, the Bank invested Birr 817.6 million on NBE bills as per the requirement of National Bank of Ethiopia (NBE) raising the total bills purchased to Birr 2.2 billion. Besides, the Bank's non-performing loans (NPLs) ratio stood at 2.1 percent sustaining its loan book quality.

With respect to the distribution of outstanding loan by economic sector, domestic trade service seized the lion's share with 34 percent followed by construction and export sector with 16.5 and 15.3 percent respectively. The agricultural sector took the least share with 0.8 percent. In general, all sectors have improved from last fiscal year's performance except import sector.

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

Sector	Jun-17	% Share	Jun-16	% Share	Growth	
					Absolute	%age
DTS	1,822,430	34.0	1,090,205	28.9	732,225	67.2
Construction	887,236	16.5	658,150	17.4	229,086	34.8
Export	819,760	15.3	664,250	17.6	155,510	23.4
Transport	531,716	9.9	387,150	10.3	144,566	37.3
Import	385,705	7.2	458,153	12.1	(72,448)	(15.8)
Manufacturing	313,208	5.8	170,682	4.5	142,526	83.5
Hotel & Tourism	238,547	4.4	193,077	5.1	45,470	23.6
Personal /Consumer/ Merchandise	166,549	3.1	70,011	1.9	96,538	137.9
Agriculture	43,485	0.8	25,271	0.7	18,214	72.1
Staff Loan	158,022	2.9	58,580	1.6	99,442	169.8
Total	**5,366,658**		**3,775,529**		**1,591,129**	**42.1**

Financed Project-Bamboo Paradise Hotel-Assosa

Financed Project Gypsum Factory-Addis Ababa

2.1.3 International Banking

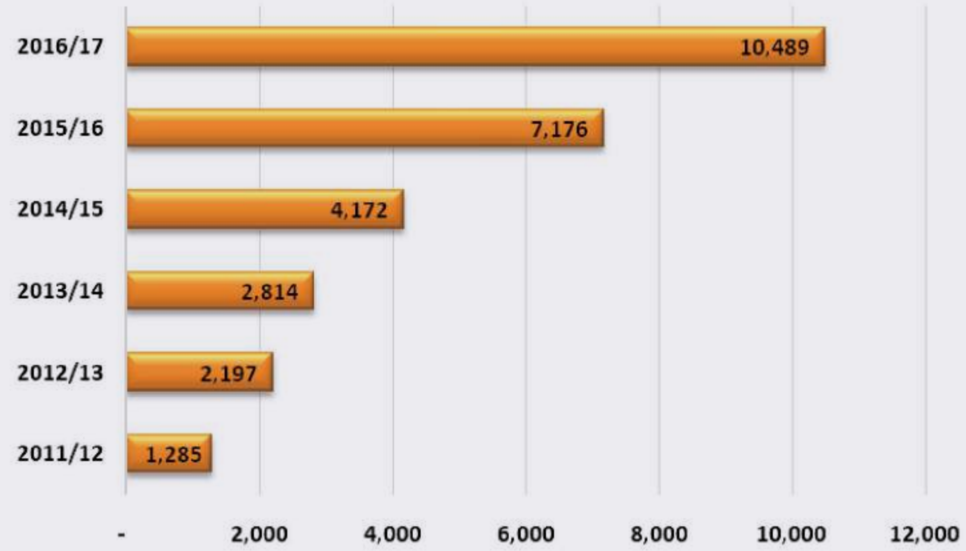
Berhan Bank mobilized USD 124.9 million during 2016/17 financial year, slightly falling below the prior year's performance by 4.5 percent. The foreign currency shortage throughout the country, among other reasons, has significantly challenged the foreign currency mobilization activities of the Bank in the year under review. Nevertheless, the Bank implemented different strategies including the Lottery Program, which turned out to be successful in strengthening the foreign currency mobilization activities. Besides, the Bank notably moved to seize other foreign currency sources.

2.2 Financial Performance Highlights

2.2.1 Assets

As at June 30 2017, the Bank's total asset reached Birr 10.5 billion, recording annual growth rate of 45.8 percent and surpassing the preceding year's record of Birr 7.2 billion. Increment in loans & advances and investment in NBE bills by Birr 1.5 billion and Birr 610.4 million respectively contributed to the Bank's asset growth. The figure below depicts the Bank's four year asset growth trend.

Figure 2: Asset Growth Trend in '000 of Birr



Handing over the Apartment to the Berhan MTO Lottery winner

Handing over the Vehicle to the Berhan MTO Lottery winner

2.2.2 Capital

During the fiscal year 2016/17, the Bank recorded a total capital of Birr 1.9 billion exceeding the preceding year's performance with growth rate of 77.8 percent and net incremental of Birr 825 million. The Bank has also endeavored to achieve the requirement set by National Bank of Ethiopia in the fiscal year 2016/17. Subsequently, the paid-up capital of the Bank reached Birr 1.4 billion with annual growth rate of 91.1 percent and net incremental of Birr 665.5 million as compared to the earlier fiscal year. Besides, the Bank's number of shareholders increased by 53.6 percent from the prior year i.e. reached 14,841.

Table 3: Composition of Capital

Description	Jun-17	Jun-16	Growth	
			Absolute	%age
Total Capital (in '000)	1,885,056	1,060,237	824,819	77.8
Paid-up Capital (in '000)	1,396,123	730,618	665,505	91.1
Number of Shareholders	14,841	9,659	5,182	53.6

2.2.3 Income

During 2016/17 fiscal year, the Bank registered a total income of Birr 1.2 billion with net increment of Birr 378.5 million from the preceding year's performance and annual growth of 48.1 percent. Interest income took the largest share of the total income with 59.1 percent. On the other hand, non-interest income took 40.9 percent share of the total income where commission on guarantee and service charge foreign took the largest share of total non-interest income.

Table 4: Composition of Income in '000 of Birr

Description	Jun-17	% Share	Jun-16	% Share	Growth	
					Absolute	%age
Total Income	**1,164,765**		**786,255**		**378,510**	**48.1**
Interest Income	687,936	59.1	460,419	58.6	227,517	49.4
Non-interest income	476,829	40.9	325,836	41.4	150,993	46.3

Signing Agreement with Ethiopian Commodity Exchange (ECX)

2.2.4 Expenses

During 2016/17 fiscal year, the Bank incurred a total expense of Birr 693.3 million representing a growth rate of 58.9 percent from the preceding year. Non-interest expense had the leading share of 67.2 percent while interest expense took 32.8 percent share of the total expense.

In view of the components of non-interest expense, salaries & benefits grew by 78.1 percent and general expense grew by 27.8 percent. In terms of share, salaries & benefits took the 60.7 percent whereas general expense took 39.3 percent of the total non-interest expense.

Table 5: Composition of Expenses in '000 of Birr

Description	Jun-17	% Share	Jun-16	% Share	Growth	
					Absolute	%age
Total Expense	**693,353**		**436,475**		**256,878**	**58.9**
Interest Expense	227,462	32.8	134,490	30.8	92,972	69.1
Non-interest Expense	465,891	67.2	301,985	69.2	163,906	54.3
General Expense	***182,893***	***39.3***	***143,090***	***47.4***	***39,803***	***27.8***
Salaries & Benefits	***282,998***	***60.7***	***158,895***	***52.6***	***124,103***	***78.1***

2.2.5 Profit

During the fiscal year ended June 30 2017, the Bank earned a profit of Birr 471.4 million surpassing the prior year's achievement by 34.8 percent and net incremental of Birr 121.6 million. The Bank's strong performance and remarkable accomplishments, operating in a dynamic financial environment, was possible through the Bank's Board of Directors', the managements' and the staffs' diligence, commitment and strong belief in a team-work.

Table 6: Composition of Profit '000 of Birr

Description	Jun-17	Jun-16	Growth	
			Absolute	%age
Total Income	1,164,765	786,255	378,510	48.1
Total Expense	693,353	436,475	256,878	58.9
Profit/Loss	**471,412**	**349,780**	**121,632**	**34.8**

2.2.6 Performance Ratio

The Bank continued to sustain robust financial position in the fiscal year 2016/17 as measured by key performance ratio. The loan to deposit ratio (LDR) was positioned at 70.7 percent while the return on asset (ROA) stood at 3.9 percent. Likewise, the Bank generated a return on equity (ROE) of 32.8 percent and earnings per share with par value of Birr 1000 being Birr 328 which is slightly lower than the preceding year's earnings due to the significant increment in paid-up capital. In addition, the Bank was able to maintain steady liquidity position in the year under consideration.

3. Human Resources

During the fiscal year 2016/17, the Bank recruited 1,154 employees where 39 are at managerial, 172 professional, 356 clerical and 587 non-clerical position. The total number of employees, hence, reached 2,865 at the end of June 30 2017. The staff size augmented primarily due to branch network expansion. Furthermore, the Bank was awarded for becoming one of the best banks to work for in the country based on the survey made in 2016 by Deloitte, an International Consulting Firm.

On the other hand, the Bank made an investment of Birr 8.6 million on human resource development and trained 2,470 employees of the Bank in oversees and local training programs. Few of the training programs were bank accounting, foreign trade finance, credit management, mobile banking, networking and data base administration, International Financial Reporting Standards (IFRS), risk management, basic monetary policy instrument & operations, strategic management & leadership, corporate governance, and competitive strategy in banking.

4. Information Technology

In the fiscal year 2016/17, the Bank started providing mobile banking service where the service users reached 22,883 at the end of the fiscal year. On the other hand, the Bank installed additional Automated Transfer Machines (ATMs), Point-of-Sales (POS) machines at several marketable sites. In addition, studies which are pre-requisites to launch pre-paid card and agency banking were finalized to commence the products and services in the subsequent fiscal year. Moreover, in relation to strengthening its IT infrastructure, the Bank commenced construction of new data center.

5. Branch Expansion

Branch expansion has been a strong hold for deposit mobilization activities of the Bank. In the fiscal year, the Bank has opened 56 branches where 18 are in Addis Ababa and 38 are in outlying areas increasing the total branch network of the Bank to 161.

Staff Training in session

The best Company to work for 2016
(Overall Top Performing Company)
Berhan International Bank S.C

6. Corporate Social Responsibility

The Bank recognizes the importance of operating responsibility and is inclining to the practices of corporate social responsibility. The Bank is taking part in environmental protection, philanthropy and voluntary activities to benefit the society and the environment it operates in. In this regard, Berhan Bank had taken initiatives to participate in socially responsible activities going beyond what is required as a profit generating organization. In this vein, during the fiscal year 2016/17, the Bank has made financial contribution of Birr 1 million to support the 'Koshe' victims.

7. Future Plan

The Bank, going forward, strives to seize opportunities that the new fiscal year may offer and alterarising challenges to its own advantage. Therefore, with a view to sustain the growth momentum and remain competitive in the industry, the Bank's major focus areas will be:

- ❖ Strengthening resource mobilization;
- ❖ Establishing correspondent banking relationship with internationally renowned banks;
- ❖ Finalize data center construction and IT security system;
- ❖ Customer service enhancement and standardization;
- ❖ Expanding digital financial services;
- ❖ Implementing International Financial Reporting Standard (IFRS) project, and
- ❖ Acquiring a plot of land for head office building construction.

Handing over of Donnation (Birr 1,000,000.00) to support the 'Koshe' victims

Ethiopian Great Run Participants from Berhan Bank

Account Opening for best performing students

Auditors' Report

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 2017, 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 2017 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 25, 2017

BERHAN INTERNATIONAL BANK SHARE COMPANY
BALANCE SHEET
AS AT 30 JUNE 2017

	Notes	Birr	2016
Assets			
Cash and Bank Deposits	3	2,399,877,939	1,556,432,238
Other Assets	4	465,314,490	281,460,953
Loans and Advances (net)	2(f),5	5,254,245,964	3,701,651,929
Investment in NBE Bills	6.2	2,177,820,000	1,567,384,411
Property, Plant and Equipment (net)	2(c),(d), 7	159,533,272	64,363,186
Acquired Properties		11,596,578	5,525,006
Investments in Shares	6.1	20,485,000	19,485,000
Total assets		**10,488,873,242**	**7,196,302,723**
Liabilities			
Customers' deposits	8	7,592,400,777	5,296,522,721
Margin held in letter of credit and CAD		368,411,026	296,357,489
Other liabilities	9	520,212,005	456,101,747
Provision for profit tax	21	122,793,059	87,083,397
Total liabilities		**8,603,816,867**	**6,136,065,354**
Equity			
Paid up Share Capital	10	1,396,123,084	730,618,042
Legal Reserve	11	227,468,931	140,314,144
Retained earnings		261,464,360	189,305,184
Total equity		**1,885,056,375**	**1,060,237,369**
Total liabilities and equity		**10,488,873,242**	**7,196,302,723**

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0114707094
0114421336

Ato Solomon Alemseged
Chairman of the Board of Directors

Ato Abraham Alaro
President

Berhan International Bank S.C.

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BERHAN INTERNATIONAL BANK SHARE COMPANY
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Birr	2016
Income			
Interest Income	12	687,936,260	460,419,113
Commission Income	13	213,771,649	146,365,981
Service Charges	14	181,796,812	96,007,393
Gain (Loss) on Foreign Currency		66,377,421	74,433,866
Other Income	15	14,883,495	9,029,042
		1,164,765,637	**786,255,396**
Expenses			
General Expenses	16	159,493,771	106,550,178
Interest Expenses	17	227,462,451	134,490,005
Salaries & Benefits	18	282,998,554	162,066,847
Provision for Loans & Advances	2(f)	21,129,154	29,387,214
Provision for Claimed Guarantees		-	3,088,328
Audit Fee		131,500	120,000
Directors Allowance	19	2,138,000	772,000
Total Expenses		**693,353,430**	**436,474,572**
Profit before Tax		**471,412,207**	**349,780,823**
Provision for Profit Tax	20	(122,793,059)	(89,586,496)
Profit after Tax		**348,619,148**	**260,194,327**
Transfer to Legal Reserve		(87,154,787)	(65,048,582)
Net Profit after Tax & Legal Reserve		**261,464,360**	**195,145,745**
Earning per share of Birr 1,000	23	328	399

BERHAN INTERNATIONAL BANK SHARE COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Currency: Ethiopian Birr

	Share Capital	Legal Reserve	Retained Earning	Total Capital
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 adjustment	-	-	(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**
	-			
Changes for 2016/2017				
Additional Shares issued	665,505,042	-	-	665,505,042
Dividend Capitalized	-	-	(108,395,788)	(108,395,788)
Dividend paid/payable	-	-	(80,909,396)	(80,909,396)
Profit for the Year	-	-	348,619,148	348,619,148
Transfer to Legal Reserve	-	87,154,787	(87,154,787)	-
	665,505,042	**87,154,787**	**72,159,177**	**824,819,005**
Balance at 30 June 2017	**1,396,123,084**	**227,468,931**	**261,464,360**	**1,885,056,375**

BERHAN INTERNATIONAL BANK SHARE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Birr	2016
Cash Flow From Operating Activities		
Net Profit for the year	**471,412,207**	**349,780,823**
Add:		
Depreciation	19,061,758	16,730,024
Amortization	-	-
Prior period adjustement	-	(8,343,664)
Provision for Doubtful Loans & Advances	21,129,154	29,387,214
	40,190,912	**37,773,574**
Cash Flow From Operation before Changes in Working Capital	**511,603,119**	**387,554,397**
Decrease (Increase) in Loans & Advances excluding provision	(1,573,723,189)	(1,855,553,910)
Decrease (Increase) in Other Assets	(183,853,536)	(121,292,940)
Decrease (Increase) in Acquired Properties	(6,071,572)	-
Increase (Decrease) in Deposits	2,295,878,056	2,228,626,220
Increase (Decrease) in Margin Held Account	72,053,537	195,177,017
Increase (Decrease) in Other Liabilities	64,110,258	214,050,271
Cash Generated From Operation	**1,179,996,673**	**1,048,561,055**
Withholding Tax Paid	-	8,615
Profit tax Paid	(87,083,397)	(34,014,151)
Net Cash flow from Operating Activities	**1,092,913,276**	**1,014,555,519**
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(114,231,844)	(26,465,855)
Investment in NBE Bills	(610,435,589)	(753,640,900)
Investment in Shares	(1,000,000)	(315,000)
Net Cash flow from Investing Activities	**(725,667,433)**	**(780,421,755)**
Cash Flow From Financing Activities		
Ordinary Shares Issued	665,505,042	116,229,599
Dividends paid	(189,305,184)	(37,147,816)
Net Cash flow from Financing Activities	**476,199,858**	**79,081,783**
Changes in Cash and Cash Equivalents	**843,445,701**	**313,215,548**
Cash and Cash Equivalent at the Beginning of the Year	**1,556,432,238**	**1,243,216,690**
Cash Balance at end of the year	**2,399,877,939**	**1,556,432,238**

BERHAN INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 method applied for fixed asset acquired before 30 June 2016 is pooling method. 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.

Fixed assets acquired from 1 July 2016 onwards are depreciated using the straight line method of depreciation. The depreciation rates for each class of fixed assets under each method are:

	Pooling Method (%)	Straight line Method (%)
Computer and accessories	25	20
Other fixed assets	20	10
Building	5	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 .

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BERHAN INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

3. CASH AND BANK DEPOSITS

	Birr	2016
Cash on Hand- Local Currency	1,164,354,680	754,663,733
Cash on Hand- Foreign Currency	13,205,104	7,906,536
Reserve Account with NBE	376,000,000	255,000,000
Payment & Settlement Account with NBE	79,671,436	49,006,249
Issue Account with NBE	125,058,800	69,119,800
Deposit with Local Banks	312,596,467	157,862,141
Deposit with Foreign Banks	328,991,452	262,873,779
	2,399,877,939	**1,556,432,238**

4. OTHER ASSETS

	Birr	2016
Uncleared Effects - Local	3,657,674	2,075,205
Uncleared Effects - Foreign	91,274,177	66,390,703
Supplies Stock Account	8,922,607	3,192,839
Accrued Interest Receivable on Time/Special Deposit	4,401,679	1,534,304
Accrued Interest Receivable on Government Bond	30,748,469	23,025,352
Prepaid Office Rent	136,736,532	77,432,902
Purchase Advances	64,398,704	36,429,283
Shares for resale	12,323,755	-
Fixed Assets in Store	8,304,095	2,268,523
Prepaid RUBIKON License Fee	654,702	686,172
ATM and Check clearing account	12,431,753	10,959,576
Emergency Staff Loan	35,545,623	18,141,451
Prepaid Insurance	2,040,317	1098313.14
Miscellaneous	53,874,403	38226378.35
	465,314,490	**281,460,953**

5. LOAN AND ADVANCES TO CUSTOMERS

	Birr	2016
Agriculture & Production	43,484,562	25,271,358
Transport	531,715,759	387,150,102
Manufacturing	313,207,956	170,682,066
Domestic Trade & Services	1,822,430,438	1,090,205,295
Import and Export	1,205,464,922	1,122,402,658
Construction Loans	887,236,067	658,150,285
Personal Loan	289,024,857	110,448,952
Hotel and Tourism	238,546,688	193,077,344
Total Loan Balance	5,331,111,249	3,757,388,061
Less: Provision for Bad Loans & Advances	(76,865,285)	(55,736,131)
	5,254,245,964	**3,701,651,929**

6. INVESTMENTS

6.1. Investments in Shares

6.1. Investments in Shares	Birr	2016
Berhan Insurance S.C.	3,315,000	3,315,000
Premier Switch Solution S.C.	4,800,000	4,800,000
Ethio Switch S.C.	11,370,000	11,370,000
Debo Micro Finance S.C.	1,000,000	-
	20,485,000	**19,485,000**

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. PROPERTY AND EQUIPMENT

Cost	Balance 30/6/2016	Addition	Balance 30/6/2017
Building	1,849,459	12,722,224	14,571,683
Furniture & Fittings	23,526,661	19,660,708	43,187,369
Office & Other Equipment	26,671,584	32,770,277	59,441,861
Computer and Accessories	20,977,240	9,711,248	30,688,488
Computer Software	8,692,784	-	8,692,784
Motor Vehicle	38,928,712	39,367,387	78,296,099
	120,646,439	**114,231,844**	**234,878,283**
Depreciation			
Building	184,946	145,482	330,428
Furniture & Fittings	9,187,623	4,152,751	13,340,373
Office & Other Equipment	11,392,497	5,099,066	16,491,562
Computer and Accessories	12,024,633	2,930,156	14,954,789
Computer Software	6,090,796	650,497	6,741,293
Motor Vehicle	17,402,760	6,083,807	23,486,566
	56,283,253	**19,061,758**	**75,345,011**
Net book value	**64,363,186**	**95,170,086**	**159,533,272**

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Berhan International Bank S.C.

8. DEPOSIT FROM CUSTOMERS

	June 30, 2017			
	Demand	Saving	Time Deposit	Total
Business	1,181,692,604	873,707,701	-	**2,055,400,305**
Personal	633,841,409	3,768,401,549	615,720,595	**5,017,963,553**
Non Resident FCY	40,462,522	-	-	**40,462,522**
Diaspora Account	19,582,661	-	-	**19,582,661**
Retention Account	52,716,973	-	-	**52,716,973**
Provident Fund	-	7,480,379	-	**7,480,379**
Staff Savings	-	17,119,818	-	**17,119,818**
Financial Institution	-	67,521,036	314,153,530	**381,674,566**
	1,928,296,169	**4,734,230,483**	**929,874,125**	**7,592,400,777**
June 30, 2016	**1,784,131,223**	**3,017,562,154**	**494,829,344**	**5,296,522,721**

9. OTHER LIABILITIES

	Birr	2016
Accrued Interest on Fixed Time Deposits	45,276,573	19,583,448
Accrued Leave Payables	7,224,640	7,226,061
Blocked Amount/Accounts	14,646,014	35,284,018
CPO & Certified Cheques	147,831,247	162,342,857
Exchange Commission Payable to NBE	7,350,392	8,080,824
Collection from Shareholders	-	32,777
Pension Fund Payable	4,427,459	2,223,704
Income Taxes payable	7,088,578	4,664,720
Duties Contributions and other taxes	1,387,291	1,172,425
Unearned and Unapplied Interest	9,161,538	13,724,909
Interest Suspense	551,548	70,986
Audit Fee Payable	131,500	120,000
Withholding Taxes payable	918,381	301,076
Value Added Tax payable	-	154,500
Bonus Payable	35,208,428	23,490,385
Dividend Tax Payable	2,957,708	2,579,049
Borrowing from other local banks	75,000,000	-
Dividend payable	33,147,708	23,803,340
Cheque Clearance	11,743,832	17,530,692
Amount Blocked for Guarantees Issuance	72,282,810	85,408,202
Provision for claimed Guarantees	8,831,802	9,896,176
ATM settlement Remote on US	9,452,300	12,131,520
Term Loan Interest Suspense [all]	-	9,582,380
5% Tax On Interest Paid On Saving Account	851,981	540,751
Fund Transfer suspense	3,942,793	7,806,053
Purchase payable	953,214	1,372,362
Cost Sharing Payable	58,417	28,958
Sundry Payables	19,785,851	6,949,576
	520,212,005	**456,101,747**

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Berhan International Bank S.C.

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BERHAN INTERNATIONAL BANK SHARE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

10. PAID UP CAPITAL (Par value Birr 1,000)

Total subscribed shares at the balance sheet date is Birr 1,396,123,084 out of which Birr 1,396,123,084 is fully paid.

11. 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.

12. INTEREST INCOME

	Birr	2016
Interest earned on Loans & Advances	619,485,484	407,182,710
Interest earned on Surplus Fund	68,450,777	53,236,403
	687,936,260	**460,419,113**

13. COMMISSION INCOME

	Birr	2016
Import Letters of Credit	59,418,770	37,488,608
Commission on Letter Of Guarantee	123,673,954	70,037,318
Commission on Purchase order & Other Services	30,678,925	38,840,055
	213,771,649	**146,365,981**

14. SERVICE CHARGE

	Birr	2016
Service charge- local	93,728,153	28,174,114
Service charge- foreign	88,068,659	67,833,279
	181,796,812	**96,007,393**

Service charge local includes Birr 42,994,006 collected from sale of shares to new shareholders during the year. The related share issue costs were not deducted from these service charges and are reported under expense.

15. OTHER INCOME

	Birr	2016
Estimation and Inspection Fee	1,319,200	844,650
Commitment charges collected	3,247,841	880,836
Bankers Cheque Issue charges	2,063,884	1,602,285
Telephone and SWIFT	1,986,524	1,942,398
Cash Surplus	92,976	102,682
Income from claimed guarantees	1,064,374	-
Sundries	5,108,696	3,656,192
	14,883,495	**9,029,042**

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Berhan International Bank S.C.

16. GENERAL EXPENSES

	Birr	2016
Depreciation	19,061,758	16,730,024
Rent	65,221,884	41,998,335
Stationery & Office Supplies	13,043,345	7,127,454
Business Travel & Transportation	-	843,996
Communication	7,892,517	6,411,202
Fees	439,971	317,737
Insurance	4,917,867	3,375,487
Taxes	-	38,811
Fuel & Lubricant	2,858,612	2,204,265
Wages	852,576	424,259
Perdiem and Travel	4,018,684	1,531,724
Conference & Meeting	898,016	689,571
Repair & Maintenance	6,909,471	4,229,684
Utilities	904,655	613,019
Bank Charges	1,499,770	884,371
Advertisement/ Publicity	13,952,335	6,401,049
Business Promotion	1,013,105	804,736
Loss on FCY Account	5,355,441	7,403,691
Inauguration	9,858	5,887
Professional Fee	312,070	211,246
Security and Janitorial Service	533,877	5,017
Entertainment	1,199,065	1,605,411
PSS Related Expenses	1,883,571	801,548
Penalty Charges	470,659	52,151
Sundries	6,244,663	1,839,506
	159,493,771	**106,550,178**

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17. INTEREST EXPENSES

	Birr	2016
Interest on Saving Deposits	137,573,408	90,368,782
Interest on Fixed Time Deposits	85,302,742	44,121,223
Interest on borrowings	4,586,301	-
	227,462,451	**134,490,005**

Berhan International Bank S.C.

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18. SALARIES AND BENEFITS

	Birr	2016
Clerical Staff Salaries	146,031,652	76,707,299
Non Clerical Staff Salaries	32,670,971	17,005,127
Provident Fund Contribution	3,298,435	2,183,646
Cash Indemnity Allowance	3,576,941	2,286,324
Uniforms	710,959	2,692,211
Training & Education	8,574,017	4,714,035
Severance & Leave Pay	289,971	3,567,689
Medical	3,225,526	1,624,345
Bonus	35,467,980	23,803,340
Representation Allowance	1,197,694	889,571
Fuel Allowance	14,826,909	9,119,851
Overtime Payments	8,203,397	4,613,016
Pension Fund Contribution	18,116,461	8,922,159
Other Allowance & Benefits	6,807,642	3,938,235
	282,998,554	**162,066,847**

19. DIRECTORS' ALLOWANCE

Directors allowances represent monthly allowance of Birr 4,000 per month and annual compensation of Birr 100,000 per each member of board of directors of the bank. The amount paid is within the limit set in accordance with NBE directive SBB/63/2016.

20 PROVISION FOR TAXATION

	Birr	2016
Profit before provision for taxation	471,412,207	349,780,823
Less: Interest income taxed at source		
Interest on deposit with other domestic banks	(13,008,733)	(17,321,981)
Interest on treasury Bills and NBE bills	(55,371,830)	(35,883,880)
Interest on Deposit with Foreign banks	(67,179)	(30,541)
Dividend income	-	314,580
	(68,447,741)	(52,921,823)
Add: Disallowed Expenses		
Entertainments	1,199,065	1,605,411
Donations	152,531	100,000
Awards	286,450	-
Fines and penalties	470,659	52,151
Provision for loans and advances	4,225,831	-
	6,334,535	1,757,562
Taxable Profit	**409,299,001**	**298,616,563**
Provision for Taxation (at 30% tax rate)	122,789,700	89,584,969
Add: 5% of interest on foreign deposits	3,359	1,527
	122,793,059	**89,586,496**

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21. PROVISION FOR PROFIT TAX

	Birr	2016
Balance Brought Forward	87,083,397	34,014,151
Profit Tax Paid During the year & WHT Receivable	(87,083,397)	(34,014,151)
Current Year Provision for Profit Tax	122,793,059	89,586,495.90
Less: Adjustment for prior period expense	-	(2,503,099)
Balance Carried Forward	**122,793,059**	**87,083,397**

22. RELATED PARTY DISCLOSURE

Transactions and balances during the year with related parties are stated as below:

	Birr
Outstanding loan	63,777,400
Estimated value of collaterals	203,425,429

23. EARNINGS 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. COMMITMENTS AND CONTINGENT LIABILITIES

	Birr	2016
Guarantees Issued and Outstanding	2,821,501,449	1,675,854,813
Commitments on Letter of Credit net of Margin Paid	125,548,471	245,767,023
Loan Approved but not Disbursed	62,677,584	77,523,329
	3,009,727,503	**1,999,145,165**

A tax assessment 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 penalty amounting to Birr 33,145,639,34 was levied by the tax office. However, the bank has appealed to the tax appeal tribunal against the additional taxes for which hearing is conducted and decision is awaited.

25. IFRS IMPLEMENTATION STATUS

As per the requirement of Financial Reporting Proclamation No.847/2014 and the International Financial Reporting Standards (IFRS) implementation framework issued by Accounting and Auditing Board of Ethiopia (AABE), the bank is in the process of conversion from its current financial reporting practices (GAAP) to IFRS based financial reporting. Accordingly, the date of transition to IFRSs for the bank is July 01, 2016 and the bank will publish its first IFRS financial report for the year ending 30 June 2018.

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The Bank, in collaboration with other member banks of Ethiopian Bankers' Association, has appointed a consultant PricewaterhouseCoopers (PwC) for the conversion process. Currently, the Consultant is on the process of converting the beginning balance sheet dated July 01, 2016 to IFRS based report to prepare the opening IFRS balance sheet at the date of transition to IFRSs.

26. COMPARATIVE FIGURES

Certain comparative figures were reclassified where necessary to facilitate comparison.