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BERHAN INTERNATIONAL BANK S.C.

ANNUAL REPORT

July 1, 2011 - June 30, 2012

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BERHAN INTERNATIONAL BANK S.C.

ANNUAL REPORT

July 1, 2011 - June 30, 2012

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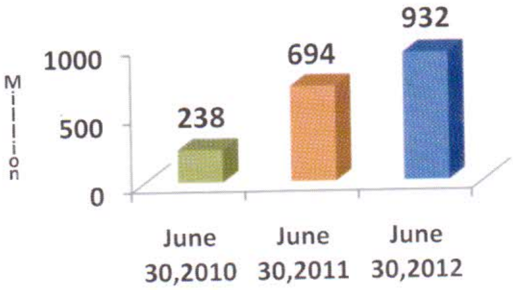
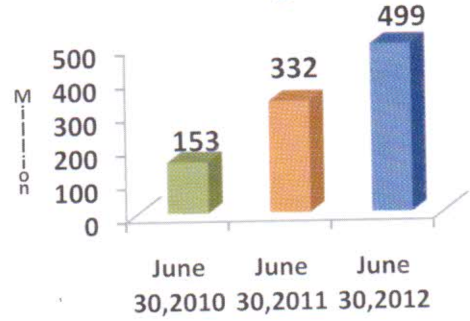
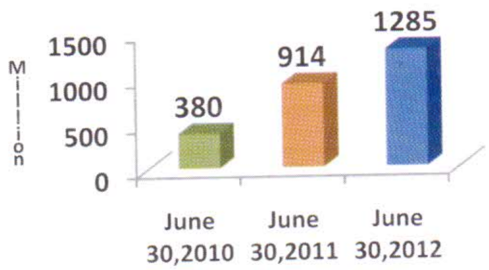
Deposit



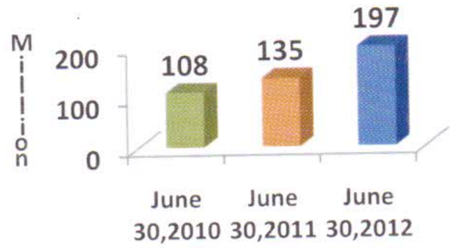
Outstanding Loan



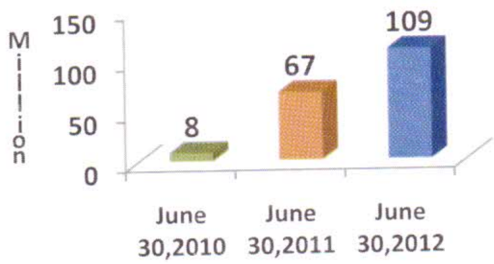
Asset



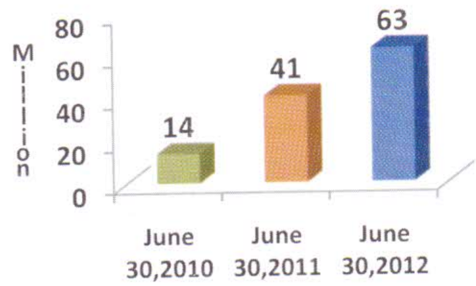
Paid-up Capital



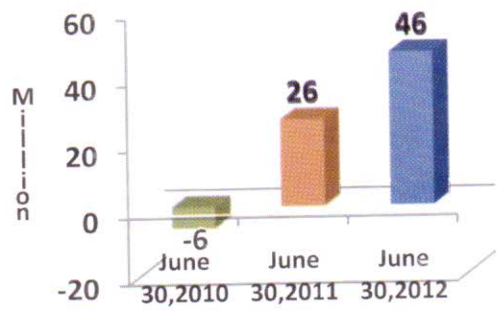
Income



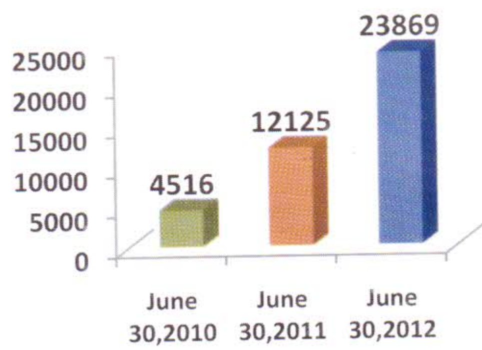
Expense



Profit



Number of Depositors



BOARD OF DIRECTORES

Ato Solomon Alemseged
Chairman

W/ro. Frealem Shibabaw
Director

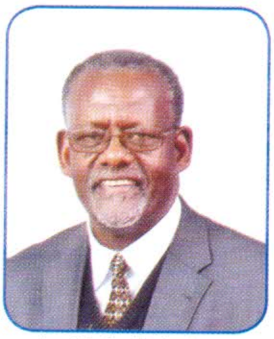
Ato Berhanu Shefnie
Vice Chairman

Ato. Geleso Bore
Director

W/ro. Getenesh Legesse
Director

Ato Hagos Tesfay
Director

Lemma Degefa (Dr.)
Director



Ato Mulat Belachew
Director

Yewubdar Gebeyehu(Eng.)
Director

Ato Yismashewa Seyoum
Director

EXECUTIVE MANAGEMENT

Ato Belachew Bogale
President

Ato Alemayehu Adaga
Director-Domestic Banking Department

Ato Ashenafi Feyissa
Director-Credit Department

W/ro. Emawayish Addisu
Director-International Banking Department

W/ro. Sehin Tsige
Director-Finance & Treasury Department

Ato Solomon Mammo
Director-Information Systems Department

Ato Wale Yirga
Director- Human Resource & Property Administration Department

W/ro. Yimenashu Kasahun
Director-Internal Audit Department

Ato Daniel Gebremedhin
Manager-Planning & Business Development Division

Ato Yohannes Hussen
Manager-Risk Management Division

Message from Board Chairperson

I would like to begin by extending my heartfelt welcome to esteemed shareholders to embrace the remarkable achievement of the bank at the closure of its third year operation.

During the reporting period ended June 30, 2012, the Bank scored remarkable performance in all areas. Compared to the preceding year, total deposit stood at Birr 932 million exhibiting a 34% increase, total outstanding Loans and Advances reached birr 499 million depicting a 50.5% growth. The Bank managed to mobilize foreign currency of USD 40.8 million, showing an increase of 67.2% over the previous year. Total Asset stood at birr 1.2 billion reflecting an increase of 40.6%. The Bank's paid up capital reached birr 197 million showing an increase of 46.4% over the last year. During the year under consideration, the Bank reaped a record high profit of birr 46.5 million, a 79% growth over the preceding year. The Bank also managed to open six additional branches during the year increasing its presence all over the country.

The Year under consideration was characterized by unfavorable global economic situation whereby, high budget deficit and unemployment rate were recorded in the developed economies, the US and most of Europe. The pace of economic growth of developing economies spearheaded by China and India also slowed down during the year. Political unrest in most of the Arab countries and growing confrontation between Iran and Israel caused the price for oil to escalate.

Relatively, favorable economic environment existed in the Sub-Saharan Africa and national economies. With the ever growing of domestic investment, deposit has become scarce resource, leaving banks for intense competition through aggressive branch opening and increasing interest rate. Inflation is also continues to be a growing challenge that erodes purchasing power of Birr, negatively affecting the expenditure of Banks.

I would like to remark that the commendable achievement of the Bank in such challenging environment is the result of collective effort exerted by shareholders, Board of Directors, Bank management and employees. All deserve deep appreciation.

In the year to come the Bank planned to pursue on identified strategic directions of enhancing service quality and customer satisfaction, improving liquidity position, expanding service outlet, increasing promotion and image building, and raising capital. To this effect, I call up on all stakeholders to join hands for even better achievement in the year to come.

Finally I would like to forward my deepest gratitude to the National Bank of Ethiopia for its close follow up and all-round support

Solomon Alemseged

Board, Chairperson

1 BACKGROUND

Economic Highlight

In this era of globalization, change in one corner of the globe will certainly affect the other. The turmoil in the Arab world, which is still continuing in Syria and the growing tension between Israel and Iran, as a result of the controversial nuclear program has a negative impact on the world economy in general and the least developed nations in particular, especially by raising the price of crude oil.

Currently, most of the EURO zone countries that are experiencing no growth and/or recession are obliged to take various austerity majors against the will of the majority of their population. As per the August, 2012 report of European Union Statistics Agency, the number of unemployed people in these countries is found to be a fresh high level of 18.2 million which is on the average 11.4% of their workforce. The same situation is also observed in the economy of the US with unemployment rate of 8.1% although it is not dictated to take bailout measures as the Europeans.

As per the recent report of the International Monetary Fund (IMF), further deterioration in the world economy was observed whereby, the economy is moving less than the pre-crises pace of growth. The Sub-Saharan Africa, in which Ethiopia is a part, is exhibiting a solid macro economic performance as most of them are growing at a rate closer to the pre-crises average.

According to the World Bank report, Ethiopia is the second fastest growing economy in the Sub-Saharan Africa. The country is now in the second year implementation of its five years Growth and Transformational Plan (GTP). According to the Ministry of Finance and Economic Development (MOFED), during the first year GTP implementation, the country has recorded 11.4% GDP growth and the same result is expected to be attained in the just ended budget year. On the other hand, inflation continues to be a serious economic challenge for most developed and developing nations particularly to Ethiopia. The ever increasing price of food and other commodities pose a threat to poor households not only in developing nations but also in developed countries.

Although, the financial sector in Ethiopia is growing in size and developing in all aspects, the competition to operate in the market is becoming stiff. Banks are competing for deposit and foreign currency that are main resources for obtaining income as well as commodities becoming scarce to trade on.

Accordingly, banks are doing their best to mobilize deposit and foreign currency by extending their branch network throughout the country with high potentials and offering higher price for mobilizing them.

2 OPERATIONAL AND FINANCIAL PERFORMANCE

2.1 OPERATIONAL PERFORMANCE

2.1.1 Deposit Mobilization

The total deposit of the Bank as of June 30, 2012 reached Birr 931.7 million, registering an increase of Birr 237.4 million (34.2%) when compared to the preceding year balance of Birr 694.2 million. Both demand and savings deposit increased by 80.6% and 88.2% respectively, while the balance of fixed time deposit decreased by 34.2% from its level of June 30, 2011.

In the prevailing competitive conditions, the interest rate for fixed time deposit is relatively high and the decrease in the balance of time deposit and increase in demand and saving deposit can be taken as an advantage to the bank. On the other hand, the overall deposit growth is a reflection of the public confidence in the Bank.

Table 1: Breakdown of Deposit by Type

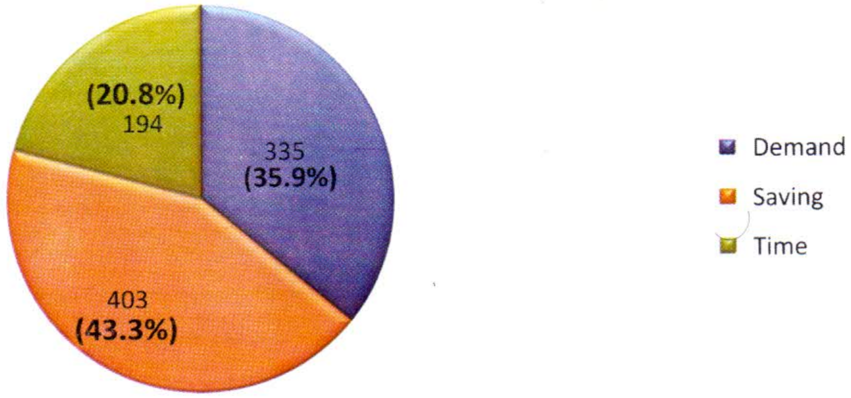
In '000 of Birr

ITEM	June 2012	% Share	June 2011	% Share	Growth	
					Absolute	% age
Demand De	334,685	35.9%	185,309	26.7%	149,376	80.6%
Savings De	403,113	43.3%	214,211	30.8%	188,902	88.2%
Fixed Time	193,928	20.8%	294,737	42.5%	(100,809)	(34.2%)
Total De	931,726	100.0%	694,257	100.0%	237,469	34.2%

Deposit Performance Trend in ' millions birr

Looking into the breakdown of deposit, the highest share goes to savings deposit, which reached Birr 403.1 million and constitutes (43.3%) of the total deposit. Demand deposit follows at Birr 334.7 million accounting (35.9%), while the balance of fixed time deposit reached Birr193.9 million constituting (20.8%) of total deposit.

Breakdown of Deposit as at June 30, 2012 in Million Birr



During the reporting period, the total number of depositors of the Bank reached 23,869. An increase of 11,744 (96.8%) depositors is registered when we compare this figure with the number of account holders recorded last year same period.

2.1.2 Loans and Advances

As of June 30, 2012, the Bank's total outstanding loans and advances net of provision stood at Birr 493.7 million. This figure showed an increase of Birr 165.6 million (50.5%) when compared with the figure of last year same period. During the period under review, the Bank was managed to disburse Birr 254.2 million and collect was Birr 165 million.

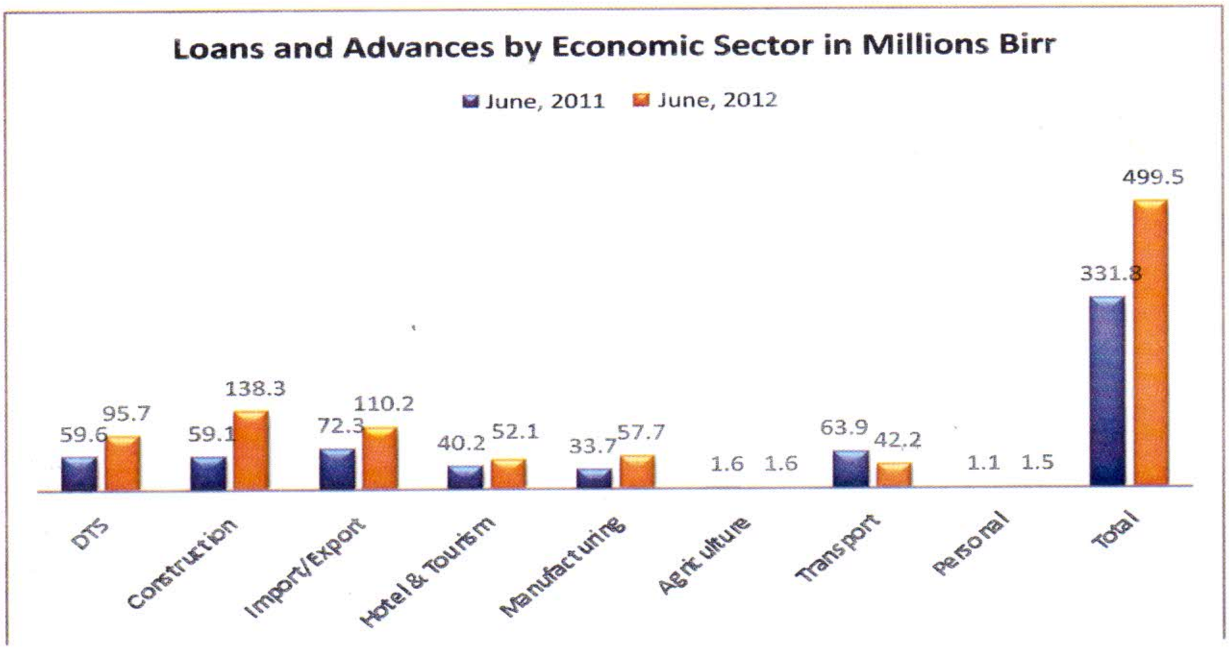
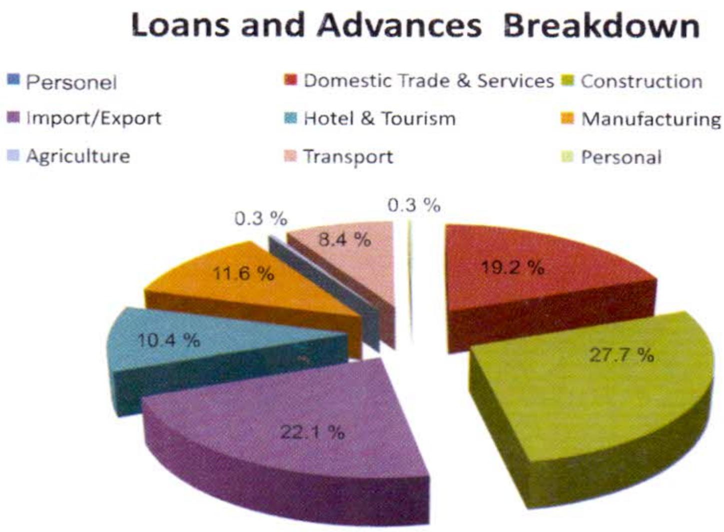


Table 2: Loans and Advances by Economic Sector (in millions of Birr)

Economic Sector	June, 2012	% age	June, 2011	% age	Growth	
					Absolute	% age
Domestic Trade & Services	95,723	19.2	59,645	17.8	36,078	60.5
Construction	138,336	27.7	59,111	17.8	79,225	134.0
Import/Export	110,255	22.1	72,347	21.8	37,908	52.4
Hotel & Tourism	52,156	10.4	40,270	12.1	11,886	29.5
Manufacturing	57,712	11.6	33,764	10.2	23,948	70.9
Agriculture	1,604	0.3	1,607	0.4	-3	-0.2
Transport	42,233	8.4	63,955	19.3	-21,722	-33.9
Personal	1,532	0.3	1,119	0.6	413	36.9
Total	499,551*	100.0	331,818*	100.0	167,733	50.5

* Loans & Advances before Provision

As evidenced under table 2 above, the loans and advances extended by the Bank covered a wide range of sectors in the economy. Accordingly, the highest share (27.7%) of the loan was absorbed by the Construction sector followed by Import/Export (22.1%), Domestic Trade and Services (19.2%), Manufacturing sector (11.6%) and Hotel & Tourism (10.4%).



2.1.3 International Banking

The amount of foreign currency mobilized through International Banking Division (IBD) and all branches of the Bank during the fiscal year ended June 30, 2012 was USD 40.8 million and EURO 2 million. The amount of USD mobilized during the period is increased by USD 16.4 million (67.2%) from the actual performance of last year same period.

By employing this amount into foreign banking businesses, the Bank managed to earn an income of Birr 36.4 million. Comparing this income to that of the previous year, an increase of Birr 11.6 million (46.8%) is recorded. The share of income earned from international banking services to total income of the Bank was 33.3%.

2.2 FINANCIAL PERFORMANCE

2.2.1 Assets

At the end of June 30, 2012, the total asset of the Bank reached Birr 1,285 million depicting an increase of Birr 371.3 million (40.6%) when compared to that of the preceding year.

2.2.2 Capital

As of June 30, 2012, the total capital including the legal reserve and retained earnings for the period, reached Birr 236.1 million. When comparing it with Birr 149.9 million, the balance of June 30, 2011, an increase of Birr 86.2 million (57.5%) is recorded.

Table 3: Composition of Capital — in '000 Birr

Description	June, 2012	June, 2011	Growth	
			Absolute	% age
Total Capital	236,145	149,942	86,203	57.5
Paid – up Capital	197,143	134,671	62,472	46.4
Subscribed Capital	241,690	176,377	65,313	37.0
Number of Shareholders	7,558	6,753	805	11.9

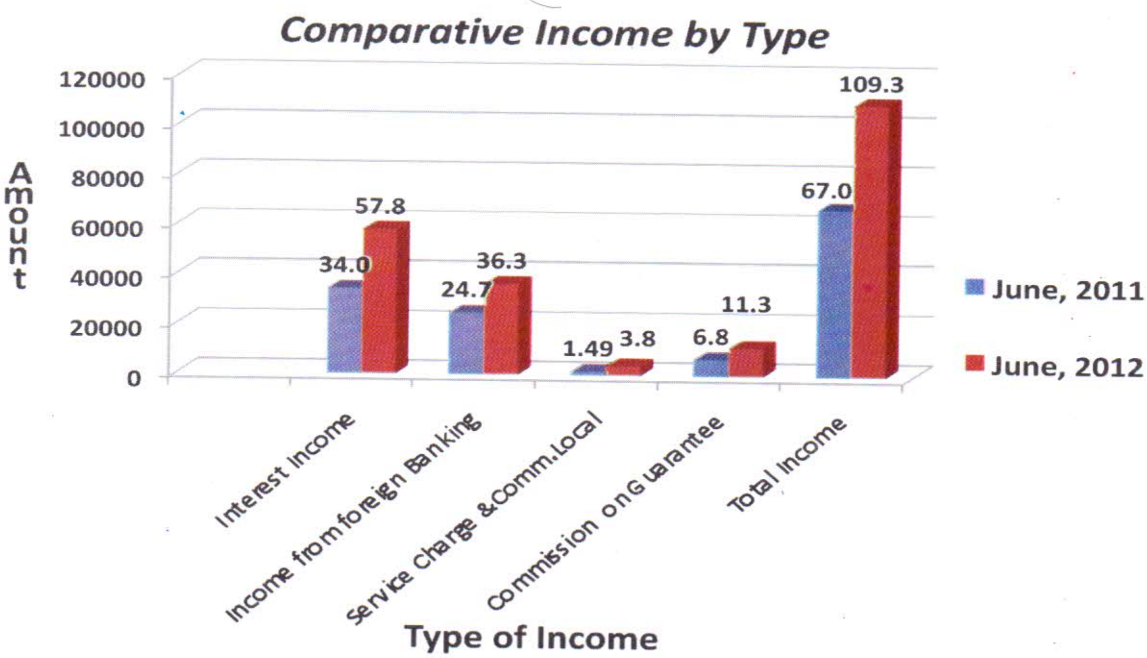
2.2.3 Income

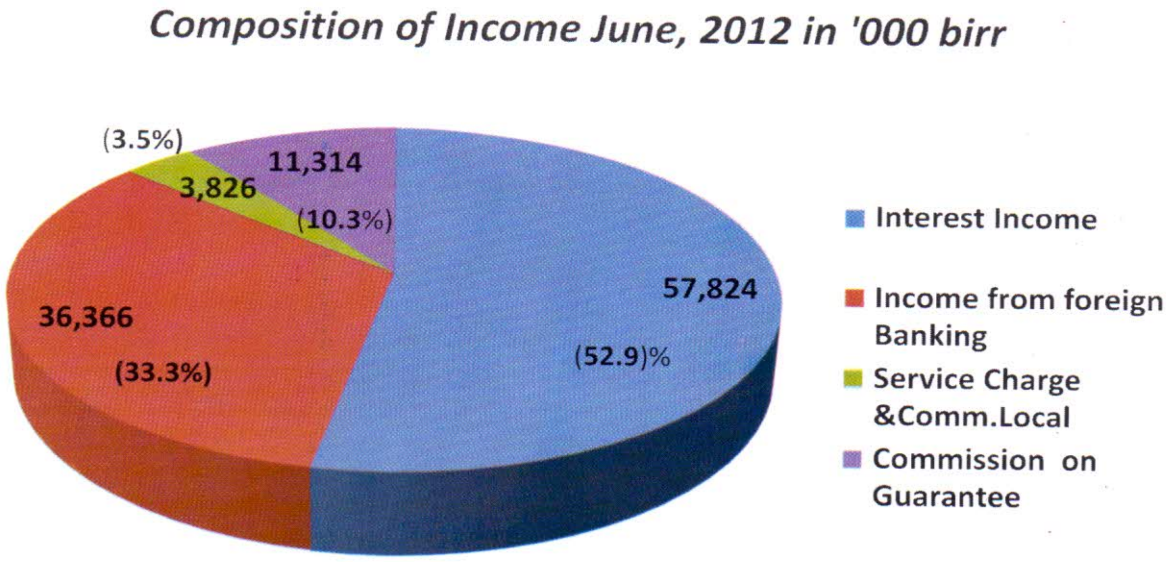
The total operating income of the Bank during the fiscal year reached Birr 109.3 million, which has exhibited a remarkable increase of Birr 42.1 million (62.6%) as compared to the previous year income of Birr 67.2 million. Looking into the components of the total income, Interest Income constitutes 52.9% while the share of Non Interest Income was 47.1%.

Out of the Total Non Interest Income, the highest share 70.6% goes to income obtained from foreign banking operations in the form of commission, service charge and gain on foreign exchange. The share of commission income from guarantee was 22.0% to be followed by service charge and commission from local banking activities i.e.7.4%.

Table 4: Composition of Income — in '000 Birr

Description	June, 2012	% age Share	June, 2011	% age Share	Growth	
					Absolute	% age
Interest Income	57,824	52.9	34,098	50.8	23,726	69.6
Income from foreign Banking	36,366	33.3	24,704	36.8	11,662	47.2
Service Charge &Comm.Local	3,826	3.5	1,488	2.2	2,338	157.1
Commission on Guarantee	11,314	10.3	6,798	10.2	4,516	66.4
Total Income	109,330	100.0	67,088	100.0	42,242	62.9





2.2.4 Expense

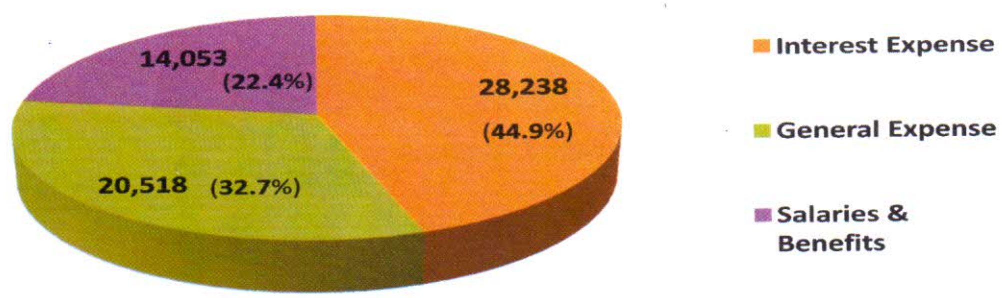
The total expense of the Bank, including provision for doubtful loans for the year under consideration reached Birr 62.8 million. It exceeded that of the preceding year balance by Birr 22.1 million (54.3%). Out of the total expense balance, 44.9% goes to interest expense followed by general expense and salaries & benefits that constituted 32.7% and 22.4% respectively.

Table 5: Composition of Expenses

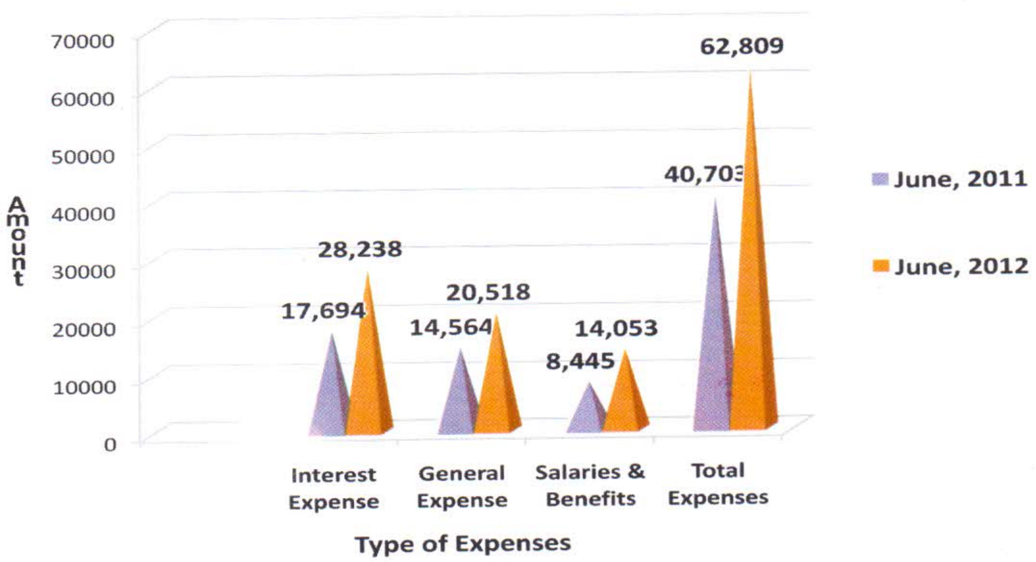
in '000 Birr

Description	June, 2012	% age share	June,2011	% age share	Growth Absolute	Growth % age
Interest Expense	28,238	44.9	17,694	43.5	10,544	59.6
General Expense	20,518	32.7	14,564	35.8	5,954	40.9
Salaries & Benefits	14,053	22.4	8,445	20.7	5,608	66.4
Total Expenses	62,809	100.0	40,703	100.0	22,106	54.3

Composition of Expenses June, 2012 in '000 birr



Comparative Expense by Type in '000 birr



2.2.5 Profit

Despite the local and international economic challenges and after maintaining adequate provisions for outstanding loans and advances as per the directive of the National Bank of Ethiopia; the Bank has earned a profit of Birr 46.5 million before tax. The profit figure exhibited a growth of 79 percent over the preceding year performance.

2.2.6 Performance Ratios

The Bank's Return on Asset (ROA) which is expressed as the ratio of profit before tax to average assets showed 3.6% during the financial year ended June 30, 2012. This ratio was only 2.8% in the preceding year. The Return on Equity (ROE) expressed as the ratio of profit after tax to the paid-up capital of the Bank reached 17.3% which is better than 15.7% of the preceding year. The Capital Adequacy ratio of the Bank is also strong by registering 38.4%, which is by far more than the regulatory requirement of 8%. The net profit margin of the bank, which is expressed as the ratio of net profit to total income was also 31.2%. Similarly, earning per share of the Bank, which is expressed by ratio of profit after tax to total number of shares was 173 which means a share with par value of Birr one thousand earned a return of Birr 173 for the fiscal year ended June 30, 2012. All these results indicate that the performance of the Bank in the financial year was commendable.

3 HUMAN RESOURCES

At the end of June 30, 2012, the total number of the Bank's permanent employee reached 288. The total numbers of employees increased by 100 showing (53.2%) growth as compared to the preceding year. During the year 131 new staff was recruited. Out of the total number of employee 168 (58.3%) are clerical and 120 (41.7%) are non-clerical. The gender composition of the human resource indicates that 215 (74.7%) are male and 73 (25.3%) are female. Out of the total number of employee, 93 of them (32.3%) holds first degree and above. The Bank has undertaken various skill up-grading training for 142 employees during the fiscal year.

4 INFORMATION TECHNOLOGY

Over the past year, the bank continued to enhance and upgrade its information technology systems and infrastructure. Major upgrade work has been undertaken on the bank's network, core banking software, interface software to the national payment system and information security systems. In addition, network audit and vulnerability assessment has been conducted by international consulting firm during the year under review in order to ensure that the security of all IT resources and IT based operations is at the highest level at all times.During the year the Bank has also launched Internet Banking Service on pilot basis.

5 BRANCH EXPANSION

During the fiscal year ended June 30, 2012, the Bank opened six additional branches in Addis Ababa and regional towns increasing the total number of branches to 15. The Bank has also one sub-branch in the premises of World Vision. The six new branches that were opened during the financial year were Hossana, Megenagna, Gondar, Dirterra, Dessie and Mekele branches.

6 FUTURE PLAN

According to the Bank's strategic plan document, the bank is determined to pursue on selected critical issues that would bring robust performances. Accordingly internal capacity building, deposit and foreign currency mobilization, increasing customer base and raising capital are considered as focus areas of the Bank in the coming year.

Photos

Financed Project - Hotel

Financed Project - Guest House

Board and Management performance evaluation meeting

Customer Session

Auditors' Report

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Fax: +251-011-466 15 36 >> 251-091-1 98 35 72
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Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified
Accountants
P.O.Box: 8118
E-mail: deg.lem@ethionet.et
Addis Ababa Ethiopia

AUDITORS' REPORT TO THE SHAREHOLDERS OF BERHAN INTERNATIONAL BANK S.C.

We have audited the accompanying balance sheet of Berhan International Bank S.C. as of 30 June 2012 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly in all material respects, the financial position of Berhan International Bank Share Company as at 30 June 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards applied on a consistent basis.

We have no comment to make on the Board of Directors Report relating to financial matters and pursuant to Article 375(2) of the Commercial Code of Ethiopia 1960, we recommend the approval of these financial statements.

Degefa Lemessa Authorized Auditors
Limited Partnership
Chartered Certified Accountants

Addis Ababa
October 01, 2012

Page 1

BERHAN INTERNATIONAL BANK S.C
BALANCE SHEET
AS AT 30 JUNE 2012

	Notes	Birr	2011 Birr
ASSETS			
Cash and bank balances	3	538,196,309	528,982,945
Treasury bills		29,931,120	-
NBE -Bills		181,594,511	26,980,100
Stocks	4	1,513,886	1,244,768
Loans and advances	5	493,696,144	328,106,951
Other assets	6	15,397,750	7,372,727
Equity investment	7	4,211,000	1,953,000
Deferred charges	8	5,020,251	5,621,781
Deferred tax asset	12(b)	654,094	156,406
Property, plant and equipment	9	14,822,373	13,364,527
TOTAL ASSETS		**1,285,037,438**	**913,783,205**
EQUITIES AND LIABILITIES			
LIABILITIES			
Deposits by customers; Demand	10 (a)	334,685,020	185,308,679
saving	10 (b)	403,113,382	214,210,646
fixed time	10 (c)	193,927,643	294,737,680
Other liabilities	11	73,153,102	47,032,151
Margin held on letter of credits		31,102,260	14,703,706
Profit tax payable	12 (a)	12,905,815	4,818,534
Refund to shareholders	13	5,008	3,029,738
		1,048,892,230	763,841,134
CAPITAL AND RESERVE			
Paid-up capital	14	197,143,362	134,671,304
Legal reserve		13,732,406	5,309,260
Retained earnings		25,269,440	9,961,507
		236,145,208	149,942,071
TOTAL CAPITAL, RESERVES AND LIABILITIES		**1,285,037,438**	**913,783,205**

Chairman, Board of Directors

President

Degefa Lemessa Authorized Auditors Limited Partnership
Addis Ababa Ethiopia
Chartered Certified Accountants

Page 2

BERHAN INTERNATIONAL BANK S.C
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Birr	Birr	2011 Birr
INTEREST INCOME	15	57,824,390		34,097,951
INTEREST EXPENSES		(28,238,089)		(17,693,717)
NET OPERATION INCOME			29,586,301	16,404,234
NON-INTEREST INCOME	16		51,505,705	33,131,141
			81,092,006	49,535,375
EXPENSES				
Salary and benefit	17	14,052,954		8,445,017
General and administrative	18	18,211,603		12,627,101
Directors fee		95,250		247,370
Provision for loans and advances		2,143,406		2,178,248
Audit fee		67,500		54,875
			(34,570,713)	(23,552,611)
Profit/Loss before tax for the year			46,521,294	25,982,764
Provision for taxation	12 (a)		(12,904,723)	(4,818,534)
Deferred tax asset			497,688	72,810
Profit/Loss after tax			34,114,258	21,237,039
Additional tax charge paid			(421,672)	-
			33,692,586	21,237,039
Transfer to legal reserve			(8,423,147)	(5,309,260)
Retained earning for the year			25,269,440	15,927,779
Profit brought forward		9,961,507		(5,966,272)
Dividend Declared and paid		(9,961,507)		-
			-	9,961,507
Retained earning/accumulated loss carried forward			**25,269,440**	**9,961,507**

Chairman, Board of Directors

President

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BERHAN INTERNATIONAL BANK S.C
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	Birr	Birr	2011 Birr
Cash Flow from Operating Activities			
Profit before tax		46,521,294	25,982,764
Adjustment for :Depreciation		4,363,009	2,844,732
Amortization		2,170,969	1,672,337
Provision for loans and advances		2143406	2,178,248
Cash flow before change in working capital		55,198,677	32,678,081
Increase in stocks	(269,117)		2,261,014
Increase in other assets	(8,025,023)		6,090,362
Increase in loans and advances	(167,732,599)		(178,624,458)
Increase in creditors	42,519,505		25,487,984
Increase in deposits	237,469,040		456,246,239
Increase in refund to shareholders account	(3,024,730)		126,986
		100,937,075	311,588,126
		156,135,753	344,266,207
TAXATION			
Profit tax paid		(5,239,114)	-
Cash flow from operating activities		150,896,639	344,266,207
Cash Flow from Investing Activities			
Purchase of fixed assets	(5,820,854)		(7,869,807)
Investment in equity & NBE bills	(186,803,531)		(28,933,100)
Investment in computer software	(1,569,438)		(1,694,257)
		(194,193,823)	(38,497,164)
Cash flow from financing activities			
Additional capital collected		52,510,550	26,346,374
Net cash increase for the period		9,213,366	332,115,414
Cash and bank balances at the begining of the period		528,982,945	196,867,531
Cash and bank balances at the end of the period		**538,196,310**	**528,982,945**

Chairman, Board of Directors

President

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BERHAN INTERNATIONAL BANK SHARE COMPANY

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Paid up capital Birr	Legal reserve Birr	Retained earnings Birr	Total Birr
BALANCE AS AT 1 JULY 2010	108,324,930	-	(5,966,272)	102,358,658
New shares issued	26,346,374	-	-	26,346,374
Net profit for the year	-	-	21,237,039	21,237,039
Transfer to legal reserve	-	5,309,260	(5,309,260)	-
Balance as at 30 June 2011	**134,671,304**	**5,309,260**	**9,961,507**	**149,942,071**
Dividend capitalised	9,961,507	-	(9,961,507)	-
New shares issued	52,510,550	-	-	52,510,550
Net profit for the year	-	-	33,692,586	33,692,586
Transfer to legal reserve	-	8,423,147	(8,423,147)	-
Balance as 30 June 2012	**197,143,362**	**13,732,406**	**25,269,440**	**236,145,208**

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BERHAN INTERNATIONAL BANK S.C.
NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2012

1. **ESTABLISHMENT**

Berhan International Bank S.C has been formed in accordance with Article 304 of the Commercial Code of Ethiopia with the objective of carrying on the banking business as per Article 3 of the Memorandum of Association of the company. The Bank has now been registered and licensed as of 27 June 2009 by the National Bank of Ethiopia. The authorized capital of the company is 300,000,000 and the subscribed capital Birr 154,736,000 divided into shares of 1000 Birr par value each.

2. **ACCOUNTING POLICY**

The financial statements of the bank are prepared in accordance with the historic cost convention, generally accepted accounting principles and the laws and regulation of Ethiopia including the commercial code of Ethiopia of 1960. Monetary and Banking regulation proclamation No. 591/2008 and supervision of Banking Business proclamation No. 592/2008 and the directives of the National Bank of Ethiopia. The significant accounting policies are set out below.

2.1 Fixed assets are reported in the balance sheet at acquisition cost less accumulated depreciation. Depreciation is computed on straight line basis at the following rates per annum:

	%
Building	5
Office furniture and equipment	20
Motor vehicle	20
Computers	25

Fixed assets in store are not depreciated

2.6 Preoperational expenses are depreciated at 20% per annum on straight line basis.

2.7 Software costs are amortized over four years on straight line basis.

2.8 **INTEREST ON LOANS**

Interest on loans and advances are recorded when earned. However, interest income on non-performing loans (NPL) is accounted for on cash basis of accounting.

2.9 **FOREIGN CURRENCIES**

Foreign exchange transactions are stated in Birr at the actual rate ruling on the date of transaction dates.

Foreign currencies on hand and correspondent bank balances at the balances sheet date are translated to Birr at the buying rates.

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3 CASH AND BANK BALANCES

	Birr	Birr	2011 Birr
Cash on hand-Local currency	269,148,331		177,167,814
Cash on hand-Foreign currency	5,833,975		12,747,720
		274,982,306	189,915,534
Correspondent foreign banks	129,044,728		116,708,059
NBE-Reserve account	96,000,000		105,000,000
NBE-Payment & settlement	35,687,584		55,872,246
Other domestic banks	2,481,691		61,487,106
		263,214,003	339,067,411
		538,196,309	**528,982,945**

4 STOCKS

	Birr	2011 Birr
Supplies stock	593,761	650,020
Fixed assets in store	920,124	594,748
	1,513,886	**1,244,768**

5 LOANS AND ADVANCES

	Birr	2011 Birr
Domestic trade and services	95,722,449	59,644,645
Construction	138,336,292	59,111,321
Import/ export	110,254,856	72,346,943
Hotel & tourism	52,156,169	40,270,108
Manufacturing	57,712,281	33,764,561
Agriculture	1,603,603	1,607,397
Transport	42,232,926	63,954,787
Personal	301,769	-
Staff	1,230,753	1,118,737
	499,551,098	331,818,499
Provision for loans and advances	(5,854,954)	(3,711,548)
	493,696,144	**328,106,951**

6 OTHER ASSETS

	Birr	2011 Birr
Interest receivable	2,748,708	-
Uncleared effects	-	202,783
Sundry debtors	1,747,519	611,213
Prepayments	6,451,762	2,372,391
Uncleared effects-foreign	3,893,011	3,784,511
Rejected GL-debit	-	397,856
Trial balance difference	556,750	3,972
	15,397,750	**7,372,727**

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7 **INVESTMENT**

		2011 Birr
Berhan Insurance S.C shares	2,953,000	1,953,000
Ehtio switch S.C shares	1,258,000	-
	4,211,000	**1,953,000**

8 **DEFERRED EXPENDITURE**

	Balance on 30/09/11 Birr	Addition Birr	Balance on 30/06/12 Birr
Cost			
Preoperational expenses	4,276,883	-	4,276,883
Software	4,085,288	1,569,438	5,654,726
	8,362,171	1,569,438	9,931,609
Amortization			
Preoperational expenses	1,496,909	855,377	2,352,287
Software	1,243,480	1,315,592	2,559,072
	2,740,390	2,170,969	4,911,358
Net book value	**5,621,781**		**5,020,251**

9 **FIXED ASSETS**

	Balance on 30/09/11 Birr	Addition Birr	Balance on 30/06/12 Birr
Cost			
Furniture and fixture	2,296,478	1,045,696	3,342,174
Office equipment	2,361,238	1,926,022	4,287,260
Motor vehicles	6,269,126	1,784,927	8,054,053
Computers & accessories	6,515,361	1,064,209	7,579,570
	17,442,203	5,820,854	23,263,057
Depreciation			
Furniture and fixture	612,198	547,892	1,160,090
Office equipment	517,887	648,421	1,166,308
Motor vehicles	1,718,420	1,420,018	3,138,438
Computers & accessories	1,229,170	1,746,678	2,975,848
	4,077,675	4,363,009	8,440,684
Net book value	**13,364,527**		**14,822,373**

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10 **DEPOSITS BY CUSTOMERS**

(a) **Demand deposits**

	Birr	2011 Birr
Business checking	147,683,647	71,434,690
Corporate checking	16,708,035	13,458,150
Diaspora account	2,744,959	184,975
Retention account	5,345,909	8,834,059
Personal checking	162,202,470	91,396,805
	334,685,020	**185,308,679**

(b) **Saving deposits**

	Birr	2011 Birr
Personal saving	301,964,266	180,567,728
Business saving	55,598,241	30,215,078
Staff savings	1,378,880	869,508
Provident fund	44,171,996	2,558,332
	403,113,382	**214,210,646**

(c) **Fixed time deposits**

	Birr	2011 Birr
Private sector	32,536,370	54,728,772
Financial institutions	161,391,273	240,008,908
	193,927,643	**294,737,680**

11 **OTHER LIABILITIES**

	Birr	2011 Birr
Interest payable	7,961,624	9,187,303
Exchange payable to NBE	1,793,056	218,270
Inward clearance CPO,and cheques	53,312,911	31,863,209
Interest Suspense	1,183,502	-
Sundries	7,195,767	5,673,412
Accrued charges	1,706,242	4,875
Claims on head office & branches	-	60,153
Unreconciled interbranch account	-	120
Rejected GL credit	-	24,809
	73,153,102	**47,032,151**

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12 PROVISION FOR PROFIT TAX

	Birr	Birr	2011 Birr
(a) Profit before taxation		46,521,294	25,982,764
Add: depreciation amortization for reporting purpose	6,533,978		4,517,069
Penalties	24,267		-
Entertainment expense	136,689		62,635
		6,694,934	4,579,704
Less: Interest income on foreign deposit	43,560		21,847
Local bank deposits	730,237		-
Interest income on NBE bills	4,558,928		15,000
Windfall gain net of 75% tax	-		2,894,899
Depreciation for tax purpose ((b) below)	4,875,019		4,274,369
		(10,207,744)	(7,206,115)
Loss brought forward for tax purpose		-	(7,298,212)
Taxable profit		43,008,483	**16,058,141**
Provision for taxation 30%		12,902,545	4,817,442
Provision for taxation on foreign deposit interest income 5%		2,178	1,092
		12,904,723	**4,818,534**
Balance brought forward		**4,818,534**	-
Settlement during the year		**(4,817,442)**	-
		12,905,815	4,818,534

(b) DEFERRED TAX ASSET

	Birr	2011 Birr
Depreciation & amortization for tax purpose	4,875,019	4,274,369
Depreciation for reporting purpose	6,533,978	4,517,069
Temporary difference	1,658,958	242,700
Deferred tax asset	497,688	72,810
Balance brought forward	156,406	83,596
Balance carried forward	**654,094**	**156,406**

(c) DEPRECIATION FOR TAX PURPOSE

	Computers	Other assets	Deferred expenditure	Total Depreciation
Depreciation base	4,562,558	7,869,234	7,862,078	
Addition during the year	1,064,209	4,756,645	1,569,438	
Depreciation base	5,626,767	12,625,879	9,431,516	
Depreciation for the year	(1,406,692)	(2,525,176)	(943,152)	**4,875,019**
Depreciation base carried forward	**4,220,075**	**10,100,703**	**9,431,516**	

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13 PAYABLE TO SHAREHOLDERS

This balance represents 3% registration fee collected from shareholders which they were promised to be paid back.

14 CAPITAL

	Number of shares	Par value	Total
Paid up	197,143	1,000	197,143,362

15 INTEREST INCOME

		2011
	Birr	Birr
On loan & advances	52,491,665	32,431,240
Local bank deposits	730,237	1,530,932
Foreign banks deposit	43,560	21,847
NBE bills	4,558,928	15,000
Advance against bills	-	98,932
	57,824,390	34,097,951

16 NON INTEREST INCOME

		2011
	Birr	Birr
Service charge and commission income-local	2,310,394	1,368,751
Service charge and commission income-foreign	21,826,025	9,256,270
Commission income on guarantees	11,313,991	6,797,936
Gain on exchange rate fluctuation	15,611,032	12,696,538
Wind fall gain on currency devaluation net of 75% tax	-	2,894,899
Sundries	444,263	116,747
	51,505,705	33,131,141

17 SALARY AND BENEFITS

		2011
	Birr	Birr
Professional staff salary	7,832,823	4,736,843
Non-professional staff salary	1,046,041	582,712
Cash indemnity allowance	377,203	209,031
Provident fund	936,984	632,871
Representation allowance	225,353	186,925
Fuel allowance	1,565,087	1,016,468
Medical	188,680	117,882
Overtime	40,035	15,834
Training and education	191,121	69,750
Uniforms	153,608	47,586
Bonus	800,000	505,939
Leave pay	406,815	206,204
Telephone	77,512	57,521
Housing allowance	104,283	59,451
Pension	107,408	-
	14,052,954	8,445,017

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18 GENERAL AND ADMINISTRATION EXPENSES

		2011
	Birr	Birr
Office rent	4,940,019	3,407,315
Utilities	207,731	84,763
Telephone & postage	414,267	283,556
Advertisement and promotion	1,372,757	967,372
Telecom charge-Data	732,876	626,057
Stationery & printing	751,178	612,101
Consulting	207,104	224,742
Cleaning and sanitation	44,420	28,892
Other professional fee	416,705	148,392
Repair and maintenance	184,477	132,986
Fuel and lubricant	702,389	413,908
Transport and per diem	270,601	237,323
Inspection and license	23,780	5,550
Depreciation and amortization	6,533,977	4,517,069
Insurance	319,991	113,181
Entertainment	136,689	62,635
Office supplies	245,575	86,198
wage expense	81,509	41,271
Swift and correspondent charges	294,064	202,618
Membership fee	75,000	125,000
Loss on disposal of chairs	-	5,133
Miscellaneous	256,492	301,039
	18,211,603	**12,627,101**