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BERHAN INTERNATIONAL BANK S.C

ANNUAL REPORT

2013-14


BERHAN BANK
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ANNUAL REPORT

From July 1/2013 - June 30/2014

2013/14

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BOARD OF DIRECTORS

ATO SOLOMON ALEMSEGED

Chairperson

ATO BERHANU SHEFNIE

V/Chairperson

ARC. DANIEL ASSEFA

Director

W/RO TENAGNE LEMMA

Director

LEMMA DEGEFA (DR.)

Director

ATO YISMASHEWA SEYOUM

Director

YEWUBDAR GEBEYEHU (ENG.)

Director

ATO MULAT BELACHEW

Director

W/RO FEREALEM SHIBABAW

Director

EXECUTIVE MANAGEMENT

ATO ABRAHAM ALARO

A/President

ATO ALEMAYEHU ADAGA

Director-Internal Audit

ATO ALEXANDER G/EGZIABHER

Director-Information Systems

ATO AMANUEL TADDESE

Director- Credit Management

ATO ASHENAFI FEYISSA

Director-Risk and Compliance

ATO BAYISSA MILKESSA

Director-Marketing and Business Development

ATO BENEYAM MESFINE

Director-Trade Service

W/RO YIMENASHU KASSAHUN

Director-Branch and Outlet Management

ATO WALE YIRGA

Director-Human Resource and Support Service

ATO DESALEGN FISSEHATSION

Director-Finance and Treasury

MESSAGE FROM BOARD CHAIRPERSON

Solomon Alemseged Board Chairperson

The 2013/2014 fiscal year has been an outstanding year in which Berhan International Bank has continued its persistent march towards success and has increased its competitiveness in the industry.

Although it would be implausible to say that the world economy has grown to the desired level, economies worldwide, and especially that of America and Europe, have been experiencing some progress in recent years. Ethiopia's economy has been registering doubt digit economic growth for consecutive years and is expected to record an 11.4% economic growth in the current fiscal year. Consequently, our bank has prepared itself to make the most of the opportunities emanating from such development and from the country's prosperity.

Despite the increase in the number of bank users throughout the nation, however, stiff competition has been present for deposit mobilization. Thus, we have observed that different strategies need to be implemented in order to enlarge deposit amount and depositors base. Accordingly, we have crafted new strategies to raise the bank's deposit amount and customer base by focusing on micro-depositors and expanding branch outlets.

Despite this challenge, however, Berhan International Bank has had a strong performance this year in light of the 3-year strategies prepared in the previous fiscal year. It has been a year in which the bank has been able to implement new approaches and continue to work with a renewed determination and enthusiasm. Looking at the bank's performance in detail reveals that its deposits have reached 2 billion this year overtaking last year's figure of 1.593 by 438 million birr, a 26% increase. Working in compliance with the National Bank of Ethiopia's directive on 40% short term and 60% long term loans, the bank has managed to disburse loans with a value of 1.2 billion birr. This figure surpasses that of the previous year by 204 million, attesting to a 21% increase. Within the year, the bank has been successful in mobilizing foreign currency of 63.6 million USD, an amount exceeding the performance of the previous year by 5.8 million USD, registering a 10% increase. The bank is working in partnership with internationally renowned money transfer services in order to further boost its foreign currency earnings.

The bank has done exceptionally well in other areas as well. I am pleased to report that at the end of the year, the bank's assets stood at 2.8 billion birr. This is a 27% increase over last year's value, exceeding it by 600 million birr. In comparison to the previous year, the bank's paid up capital has demonstrated a 28% increase of 122.5 million birr to reach 435.5 million birr by the end of the fiscal year. Profit before tax stood at 121.6 million birr, a remarkable 74% increase of 51.6 million birr in comparison to the previous year.

Additionally, the bank has giving focus to expanding its geographical reach as well as investing in state-of-the-art technology. It has become a member of Premium Switch Solution (PSS) S.C as well as implemented Berhan Card payment services. It is currently in the process of purchasing more ATM machines in addition to those already installed. Moreover, the bank has opened 15 new branches, broadening its network in Addis Ababa and the major regional areas.

As we mark the end of the first five years of the bank's establishment, the bank intends to continue to work in line with its 3-year strategic goals. These goals are meant to increase deposit and foreign currency earnings and to enhance the bank's information technology system enabling it to provide new services supported by advanced technology. The bank also endeavors to open new branches in order to expand its reach to the community, to improve its service quality and to increase market share. Currently, we are in the process of drafting a 5-year strategic plan to delineate the bank's framework of operation following the 2014/15 fiscal year.

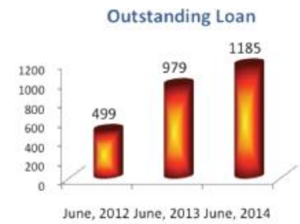
The bank's accomplishments thus far have been a result of the invaluable contribution of its esteemed customers, shareholders, management and staff, as well as that of the National Bank of Ethiopia. Thus, I would like to conclude by taking this opportunity to call upon all to continue to work with us with renewed dedication in the coming era.

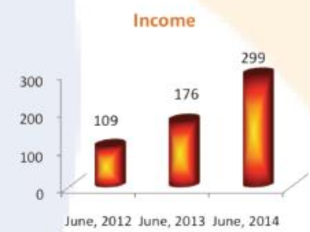
Thank you.

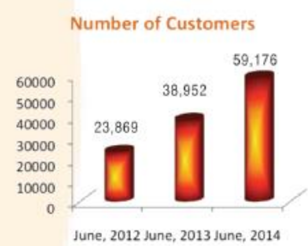
Solomon Alemseged

Chairman of the Board of Directors

PERFORMANCE SUMMARY







1. Background – Economic Highlight

Global economy since the Global Financial Crisis was fragile trapped in a low-gear imposing recession chiefly on euro-zone and the US. By the end of the marked economic downturn and a feeble start in the first half of 2013, however, the recovery gained momentum and guaranteed climbing out of the vicious cycle. To revive the economy and sustain a boost, thus, developed countries devised policies to reduce high rates of unemployment and deployed extensive reforms on product and labor markets. The US developed better pathway for monetary and fiscal policies, as other developed economies applied concordant, bold and expansionary measures in early 2013 to overcome deflation and restore growth. Consequently, the financial health of economies portrayed improvement and relieved the financial stress.

During the first half of 2013, the global trade recovery was sluggish and oil price remained elevated. Import growth that was markedly weakened in 2012 in some large emerging economies, notably China, had a significant effect on exports by many developing countries. Global inflation was, however, moderating throughout the year even if inflationary pressures remain mild and many emerging market and developing economies managed to adjust with the tighter financial conditions, commodity price and trade pressures.

As the World Bank report unveiled Africa has recorded an economic growth rate of 4.6 percent for the year 2013/14, as the main sources of dynamism for the growth were the expansion of agricultural production, growth in services and a rise in oil production and mining. In contrary, fiscal and current account deficits have widened across the region of Africa. It was also reported that ambitious public investment programs, large increases in public wages, and rising transfers and subsidies, coupled with weak revenues have contributed to the deterioration of fiscal balance in the countries.

Economic activities were robust in much of Sub-Saharan Africa in 2013, as per the Global Economic Prospects report, as 4.7 percent growth in GDP was recorded at the end of the year. Investment in resource sectors and public infrastructure had high contribution to the growth. Among the fastest growing economies of Sub-Saharan Africa are Mozambique, Tanzania and Ethiopia.

According to the recent Ministry of Finance and Economic Development (MoFED) report, Ethiopia's GDP has reached Birr 1.05 trillion (USD 55 billion) by the end of 2006 Ethiopian Fiscal Year. Accordingly, the agricultural sector grew by 5.4 percent while the service sector grew by 11.9 percent and the industrial sector by 21.2 percent. The service sector recorded a higher growth rate than the GTP target and constitutes the lion's share of the GDP. The report also says GDP per capita has increased to USD 632 in 2006 Ethiopian Fiscal Year from USD 558 in 2005; and domestic savings has reached 22.5 percent of the GDP.

By and large, the recorded economic growth reaffirms existence of conducive platform for overall socio-economic activities in general and business & investment endeavors, in particular. The government has also effectuated expediting economic reforms to counterbalance the external economic pressure and safeguard the national economy. Consequently, overall performance in the banking industry remained sound and prospective in the fiscal year 2013/14 although challenges kept hampering optimal growth. Some of the major challenges are stiff fiscal and monetary policies particularly on loan disbursement areas, scarcity of foreign currency and liquidity problems.

2. Operational and Financial Performance

2.1 Highlights of Operational Performance

2.1.1 Deposit Mobilization

The Bank has managed to mobilize total deposit of Birr 2 Billion as fiscal year 2013/14 ended with 26.3 percent growth of Birr 418.7 million from the performance of the preceding year, same period. The highest growth rate was recorded by saving deposit (41.1%) followed by demand deposit (13.2%) and lastly, fixed time deposit (11.3%).

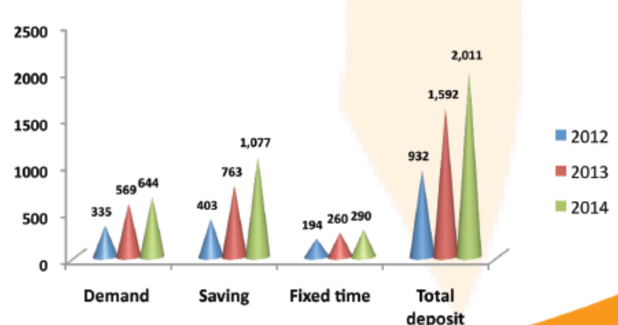
Table 1: Breakdown of Deposit by Type in '000 of Birr

Deposit type	Jun-14	% share	Jun-13	% share	Growth	
					Absolute	%age
Demand	644,510	32.0	569,338	35.7	75,172	13.2
Saving	1,077,540	53.6	763,493	47.9	314,047	41.1
Fixed time	289,753	14.4	260,298	16.3	29,455	11.3
Total deposit	**2,011,803**	**100**	**1,593,129**	**100**	**418,674**	**26.3**

Deposits' composition by type for the period in consideration portrays that saving deposit takes the lion's share of the total deposits (53.6%) with Birr 1.08 billion followed by demand deposit taking Birr 644.5 million (32.0%) while fixed time deposit holds Birr 289.7 million (14.4%).

Whereas, total number of depositors as at June 30, 2014 reached 59,176 with 51.9 percent growth as compared to the preceding year, same period.

Figure 1: Deposit Performance Trend '000 of Birr



2.1.2 Loans and Advances

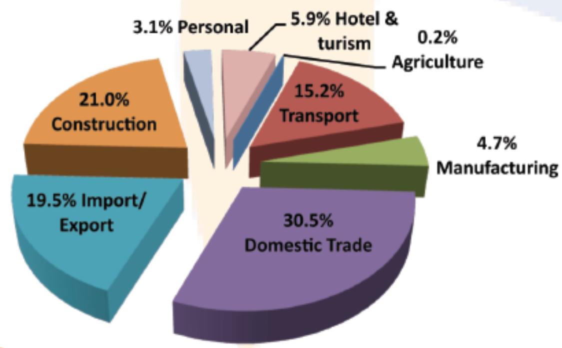
The Bank's outstanding loan net of provision as at June 30, 2014 was Birr 1.17 billion making a growth rate of 21.02 percent from preceding year's performance. Similar with that of the previous year, this increment has been registered against the allocation of 27 percent of every fresh loan disbursement amount for NBE bills.

Table 2: Loans and Advances in '000 of Birr

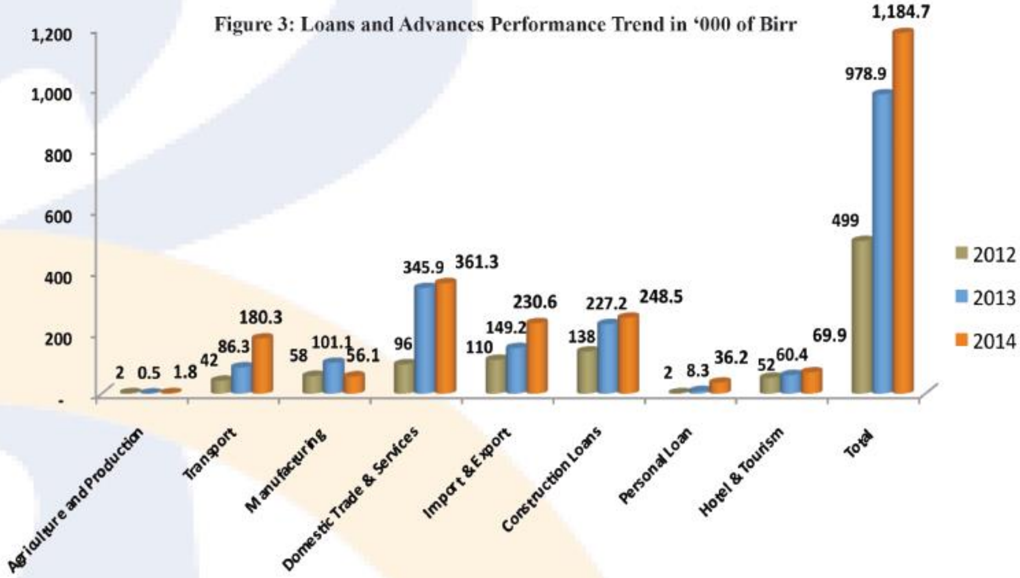
Sector	Jun-14	% share	Jun-13	% share	Growth	
					Absolute	%age
Agriculture and Production	1,797	0.2	531	0.1	1,266	238.4
Transport	180,307	15.2	86,316	8.8	93,991	108.9
Manufacturing	56,093	4.7	101,135	10.3	(45,042)	-44.5
Domestic Trade & Services	361,279	30.5	345,866	35.3	15,413	4.5
Import & Export	230,608	19.5	149,186	15.2	81,422	54.6
Construction Loans	248,526	21.0	227,178	23.2	21,348	9.4
Personal Loan	36,182	3.1	8,252	0.8	27,930	338.5
Hotel & Tourism	69,902	5.9	60,438	6.2	9,464	15.7
Total	**1,184,694**	**100**	**978,902**	**100**	**205,792**	**21.0**

As manifested in the figure above, loans and advance extended by the Bank covered almost all sectors of the economy, out of which domestic trade takes the lion's share of 30.5 percent, followed by construction and import/export constituting 21.0 percent and 19.5 percent, respectively.

Figure 2: Loans and Advances Breakdown



The loan disbursed in all economic sectors has increased from year-to-year except the manufacturing sector, which has recorded a decrease in the 2014 fiscal year.



2.1.3 International Banking

International banking services continue to be one of the dominant sources of the Bank's income. The Bank has managed to mobilize USD 63.5 million during the fiscal year ended June 30, 2014. Income generated from foreign exchange has grown by a rate of 10.1 percent (USD 5.8 million) from the prior fiscal year's performance.

In order to further enhance its international banking service delivery, the Bank has continued to establish relationship with several International Remittance Service Providing Companies namely Western Union, Money Gram, Dahabshiil and Taran Express.

2.2 Highlights of Financial Performance

2.2.1 Assets

At the end of the fiscal year 2013/14, the total asset of the Bank reached Birr 2.81 billion and increased by 28 percent from the previous year mainly for reasons of an increase in loans and advances by Birr 216.8 million and investments by Birr 198.6 million.

2.2.2 Capital

The total capital of the Bank for the year ended June 30, 2014 reached Birr 554.4 million with a growth rate of 45.3 percent from the preceding year performance. The total paid-up capital has increased to Birr 435.5 million by 31.6 percent and the subscribed capital to Birr 487.8 million with 37.1 percent increase during the fiscal year considered. The paid-up capital is expected to reach National Bank of Ethiopia (NBE) requirement of 500 million before winding up the year 2016. The total number of shareholders has reached 8,725.

Table 3: Composition of Capital in '000 of Birr

Description	Jun-14	Jun-13	Growth	
			Absolute	% age
Total Capital	554,442	381,549	172,893	45.3
Paid-up Capital	435,532	331,000	104,532	31.6
Subscribed Capital	487,820	355,811	132,009	37.1
Number of Shareholders	8,725	8,383	342	4.1

2.2.3 Income

At the end of June 30, 2014, the total income of the Bank increased to Birr 299.2 million displaying a growth rate of 70.4 percent as compared to the previous year's performance. Out of the composition of the total income, interest income takes the largest share with 56.1 percent and the rest 43.9 percent is non-interest income.

Table 4: Composition of Income in '000 of Birr

Description	Jun-14	% share	Jun-13	% share	Growth	
					Absolute	%age
Interest Income	167,764	56.1	87,067	49.6	80,697	92.7
Non-interest Income	131,434	43.9	88,544	50.4	42,890	48.4
Total	**299,198**	**100**	**175,611**	**100**	**123,587**	**70.4**

2.2.4 Expenses

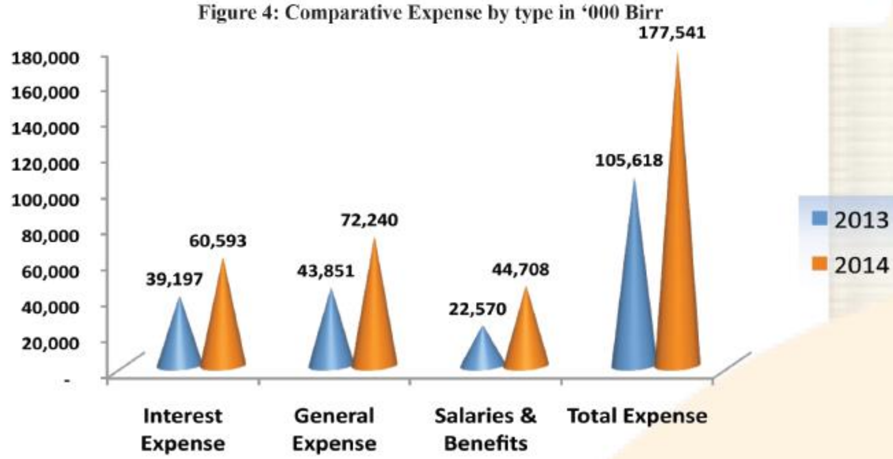
The total expense of the Bank, as it can be seen from the table below, has increased by Birr 71.9 million (68.1%) as compared to preceding year's expense. General expense comprises 40.7 percent of the total expense followed by interest expense with 34.1 percent and finally salaries & benefits taking 25.2 percent share.

Table 5: Composition of Expense in '000 of Birr

Description	Jun-14	% share	Jun-13	% share	Growth	
					Absolute	%age
Interest Expense	60,593	34.1	39,197	37.1	21,396	54.6
General Expense	72,240	40.7	43,851	41.5	28,389	64.7
Salaries & Benefits	44,708	25.2	22,570	21.4	22,138	98.1
Total Expense	**177,541**	**100**	**105,618**	**100**	**71,923**	**68.1**

Owing to the branch expansion activities and staffing of each new branch in the year considered, salaries & benefits have also made considerable growth, as compared to the preceding fiscal year.

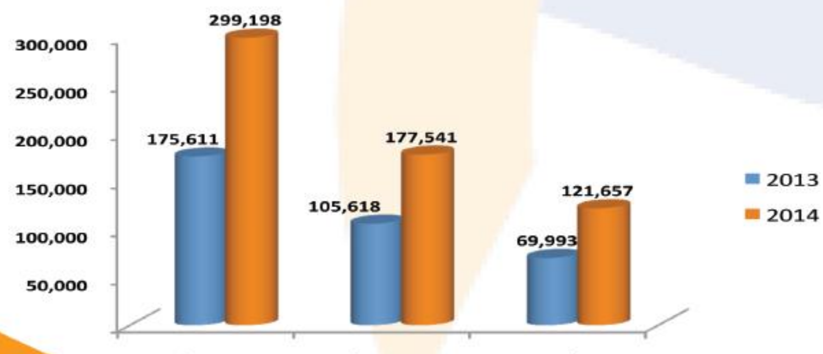
Figure 4: Comparative Expense by type in '000 Birr



2.2.5 Profit

The Bank has managed to acquire a profit before tax of Birr 121.7 million for the fiscal year ended June 30, 2014. The profit performance of the Bank has notably increased portraying a percentage growth of 74 percent from the past year's performance. The following graph represents comparative performance of income, expense and profit trends of the Bank for two years.

Figure 5: Profit Performance trend in '000 Birr



2.2.6 Performance Ratio

At the end of June 30, 2014, the recorded Return on Asset (ROA) was 5 percent where as preceding year's ratio was 4 percent. The Return on Equity (ROE) is 23.9 percent better than preceding year's ratio which had been 20.5 percent and the earning per share with par value of Birr 1,000.00 is Birr 239. In general, the performance of the Bank in the considered financial year was better.

3. Human Resources

The total number of staff of the Bank as at June 30, 2014 reached 693, of which 501 (72.3%) are male and 192 (27.7%) are female. The number has increased by 284 (69.4%) on the fiscal year ended June 30, 2014 as compared to the preceding year, same period. The number of professional staff with first degree and above out of the total staff composition is 375 constituting 54.1 percent of the total employee, whereas, non-professionals amounted to 318. The Bank continues to focus on capacity building and recruiting experienced professionals in the job market and upgrade their knowledge and skill with on-job trainings.

4. Information Technology

The Bank has invested a great deal of money in product development activities and acquired state-of-the-art technology and introduced hi-tech products so as to offer competitive services to its customers and serve them like never before. Accordingly, it introduced electronic payment card system called 'Berhan Card' which commenced operation on February 8, 2014 partnering with Premier Switch Solution Share Company (PSS), and using own and PSS ATMs. Besides, the Bank is currently in the process to commence electronic payment service to its customers with 'Berhan Card' via Point of Sales (PoS) Terminals. This would enable customers to settle payments on shops and service providing companies. Internet banking and mobile banking products are currently under development and will soon be deployed.

5. Branch Expansion

During the fiscal year ended June 30, 2014, the Bank has expanded its service outlets by opening nine city and six outlying branches with full-fledged banking services. Accordingly, by the end of June 30, 2014, the branch network of the Bank has reached to 37, with 20 located in the nation's capital and the other 17 in outlying areas. The Bank continues to improve its accessibility to customers by expanding its branch network at different convenient bankable locations.

6. Future Plan

Overall, Berhan International Bank S.C has registered better operational performance in the fiscal year ended June 30, 2014. In the year ahead, thus, it will exceedingly broaden its banking services' horizon with high commitment, diligence and betterment of operational performance. Strengthening deposit mobilization endeavors, expanding service outlets, enhancing credit services and product development activities, aggressive promotional activities, modernization of systems, improvement in service quality & efficiency and supporting all with advanced technologies are the major focal points of the Bank for the coming years.

4th Shareholders' General Assembly

Renaissance Dam Contribution

2013/14 Annual Management Meeting

2006 Staff Day Celebration

Great Run Africa 2014

Financed Project (Eden Spring Water Factory)

Financed Commercial Building
(Abenem Business plc)

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 2014, 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 2014 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 27, 2014

Ethio-China Friendship Street, Wengelawit Tadesse Building 1st Floor

Berhan International Bank S.C.
Balance Sheet
As at 30 June 2014

	Notes	Birr	2013
Assets			
Cash and Bank Deposits	4	981,609,989	739,866,678
Other Assets	5	77,358,106	37,552,944
Loans and Advances (net)	2(e),6	1,165,342,996	961,284,548
Investment in NBE Bills	7.2	547,487,511	348,846,511
Fixed Time Deposit with NBE		-	73,067,000
Property, Plant and Equipment (net)	2(c), 9	28,618,215	20,757,793
Acquired Properties		800,240	-
Deferred Tax Assets		-	1,367,618
Deferred Charges (net)	2(d),8	213,844	1,069,220
Investments in Shares	7.1	12,830,000	13,503,000
Total Assets		**2,814,260,901**	**2,197,315,312**
Liabilities			
Customer Deposits	10	2,011,803,252	1,593,128,810
Margin Held on Letter of Credits		37,860,710	71,764,905
Other Liabilities	11	179,159,264	132,453,124
Provision for Profit Tax	23	30,995,539	18,420,110
Total Liabilities		**2,259,818,765**	**1,815,766,949**
Capital			
Paid up Share Capital	12	435,532,329	313,000,920
Other Reserve	27	2,525,675	-
Legal Reserve	13	49,128,141	26,804,745
Retained Earning		67,255,991	41,742,698
Total Capital		**554,442,136**	**381,548,363**
Total Liabilities and Capital		**2,814,260,901**	**2,197,315,312**

Ato Solomon Alemseged
Chairman of the Board of Director

Ato Abreham Alero
A/President

Berhan International Bank S.C.
Income Statement
For the Year Ended 30 June 2014

Income	Notes	Birr	2013
Interest	15	167,764,436	87,066,878
Commission Income	14	43,119,097	38,198,568
Service Charges	16	39,814,354	15,436,584
Gain (Loss) on Foreign Currency		45,066,238	32,247,295
Other Income	17	3,434,064	2,661,466
		299,198,189	**175,610,791**
Expenses			
General Expenses	18	56,890,620	34,707,136
Interest Expenses	19	60,593,125	39,196,680
Salaries & Benefits	20	44,707,982	22,569,614
Provision for Loans & Advances	2(e)	4,452,088	9,045,942
Provision for Claimed Guarantees		10,112,383	-
Audit Fee		86,250	79,000
Directors Allowance	21	699,000	19,750
Total Expenses		**177,541,448**	**105,618,122**
Profit before Tax		**121,656,741**	**69,992,669**
Provision for Profit Tax	22	(32,363,157)	(18,416,840)
Deferred Tax Assets		-	713,524
Profit after Tax		**89,293,584**	**52,289,353**
Transfer to Legal Reserve		(22,323,396)	(13,072,338)
Net Profit after Tax & Legal Reserve		**66,970,188**	**39,217,015**
Earning per Share of Birr 1,000	24	239	205

Berhan International Bank S.C.
Cash Flow Statement
For the Year Ended 30 June 2014

	Birr	2013
Cash Flow From Operating Activities		
Net Profit for the year	**121,656,741**	**69,992,669**
Add:		
Depreciation	7,807,943	5,844,274
Amortization	855,377	2,698,632
Loss on Disposal	-	3,900
Provision for Claimed Guarantees	-	-
Provision for Doubtful Loans & Advances	4,452,088	9,045,942
	13,115,408	**17,592,748**
Cash Flow From Operation before Changes in Working Capital	**134,772,149**	**87,585,417**
Decrease (Increase) in Loans & Advances excluding provision	(208,510,536)	(479,350,774)
Decrease (Increase) in Other Assets	(39,805,162)	(17,924,880)
Decrease (Increase) in Acquired Properties	(800,240)	-
Decrease (Increase) in Deferred Tax Assets	1,367,618	-
Increase (Decrease) in Deposits	418,674,442	661,402,765
Increase (Decrease) in Margin Held Account	(33,904,195)	40,662,645
Increase (Decrease) in Other Liabilities	46,706,140	59,295,014
Cash Generated From Operation	**318,500,216**	**351,670,187**
Profit tax Paid	(19,787,728)	(12,902,545)
Net Cash flow from Operating Activities	**298,712,488**	**338,767,642**
Cash Flow From Investing Activities		
Purchase of Fixed Assets	(14,662,565)	(10,531,195)
NBE Treasury Bills Collection	73,067,000	29,931,120
Investment in NBE Treasury Bills	-	(73,067,000)
Investment in Shares	(47,000)	(9,292,000)
Investment in NBE Bills	(198,641,000)	(167,252,000)
Net Cash flow from Investing Activities	**(140,283,565)**	**(230,211,075)**
Cash Flow From Financing Activities		
Ordinary Shares Issued	83,314,388	93,126,403
Dividends Paid	-	(12,602)
Net Cash flow from Financing Activities	**83,314,388**	**93,113,801**
Changes in Cash and Cash Equivalents	**241,743,311**	**201,670,368**
Cash and Cash Equivalent at the Beginning of the Year	**739,866,678**	**538,196,310**
Cash Balance at end of the year	**981,609,989**	**739,866,678**

Berhan International Bank S.C.

TAY & Company Chartered Certified Accountants
Authorized Auditors

Berhan International Bank S.C.
Statement of Changes in Equity
For the Year Ended 30 June 2014

Currency: Ethiopian Birr

	Share Capital	Other Reserve	Legal Reserve	Retained Earning	Total Capital
Balance at 1 July 2012	197,143,362	-	13,732,406	25,269,440	236,145,208
Dividend Capitalized	22,731,154	-	-	(22,731,154)	-
Dividend in Cash	-	-	-	(12,602)	(12,602)
Additional Shares Issued	93,126,404	-	-	-	93,126,404
Profit for the Year	-	-		52,289,353	52,289,353
Transfer to Legal Reserve	-	-	13,072,339	(13,072,339)	-
Balance at 30 June 2013	**313,000,920**	**-**	**26,804,745**	**41,742,698**	**381,548,363**
Balance at 1 July 2013	313,000,920	-	26,804,745	41,742,698	381,548,363
Prior Period Adjustment	-	-	-	285,801	285,801
Additional Shares issued	83,314,388	-	-	-	83,314,388
Dividend Capitalized	39,217,021	-	-	(39,217,021)	-
Dividends Retained	-	2,525,675	-	(2,525,675)	-
Profit for the Year	-	-	-	89,293,584	89,293,584
Transfer to Legal Reserve	-	-	22,323,396	(22,323,396)	-
Balance at 30 June 2014	**435,532,329**	**2,525,675**	**49,128,141**	**67,255,991**	**554,442,136**

Berhan International Bank S.C.

TAY & Company Chartered Certified Accountants & Authorized Auditors

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

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

e) 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 Change of Accounting Policy

Depreciation accounting policy of the Bank has been changed for Property, Plant and Equipment from the straight line method to the pooling system of the income tax proclamation number 286/2002 commencing from the current period.

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

4 Cash and Bank Deposits

	Birr	2013
Cash on Hand- Local Currency	352,159,605	383,152,347
Cash on Hand- Foreign Currency	3,878,113	1,813,917
Reserve Account with NBE	109,000,000	81,433,000
Payment & Settlement Account with NBE	61,186,916	43,202,599
Issue Account with NBE	425,483,555	-
Deposit with Local Banks	576,687	45,920,992
Deposit with Foreign Banks	29,325,113	184,343,823
	981,609,989	**739,866,678**

Berhan International Bank S.C.

TAY & Company Chartered Certified Accountants Authorized A. 011 442 1336 091 151 5039/38 093 001 4106 1335 Addis Ababa Ethiopia

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

5 Other Assets	Birr	2013
Uncleared Effects - Local	2,685,619	1,513,487
Uncleared Effects - Foreign	4,293,031	9,843,573
Supplies Stock Account	1,186,598	676,336
Accrued Interest Receivable	6,500,771	3,732,166
Prepaid Office Rent	33,121,890	14,220,965
Purchase Advances	6,404,344	1,903,788
Fixed Assets in Store	5,385,375	945,953
Prepaid RUBIKON License Fee	1,475,782	167,597
Miscellaneous	10,481,939	1,499,194
Emergency Staff Loan	5,349,724	2,716,429
Prepaid Insurance	473,033	333,456
	77,358,106	**37,552,944**

6 Loans and Advances	Birr	2013
Agriculture & Production	1,797,449	531,267
Transport	180,307,490	86,316,425
Manufacturing	56,093,168	101,134,671
Domestic Trade & Services	361,278,873	345,865,943
Import and Export	230,608,011	149,185,514
Construction Loans	248,526,445	227,177,915
Personal Loan	36,182,072	5,535,216
Hotel and Tourism	69,902,472	60,438,493
Total Loan Balance	1,184,695,980	976,185,444
Less: Provision for Bad Loans & Advances	(19,352,984)	(14,900,896)
	1,165,342,996	**961,284,548**

7 Investments

7.1 Investments in Shares	Birr	2013
Berhan Insurance S.C.	3,000,000	2,953,000
Premier Switch Solution S.C.	4,800,000	5,520,000
Ethio Switch S.C.	5,030,000	5,030,000
	12,830,000	**13,503,000**

7.2 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.

8 Deferred Charges	Birr	2013
Establishment Cost	4,276,883	4,276,883
Less: Amortization		
Opening Balance	(3,207,663)	(2,352,286)
Amortization during the year	(855,376)	(855,377)
	(4,063,039)	(3,207,663)
Balance Carried Forward	**213,844**	**1,069,220**

Berhan International Bank S.C.

TAY & Company Chartered Certified Accountants & Authorized Auditors
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Addis Ababa
Ethiopia

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

9 Property, Plant & Equipment

	Balance at 30 June 2013	Additions	Adjustment	Balance at 30 June 2014
Cost				
Furniture & Fittings	5,603,752	3,159,355	-	8,763,107
Office & Other Equipment	6,844,405	5,601,414	-	12,445,819
Computer and Accessories	9,539,298	2,559,267	-	12,098,565
Computer Software	6,235,175	603,389	-	6,838,564
Motor Vehicle	11,219,848	2,739,141	-	13,958,989
	39,442,478	14,662,565	-	54,105,043
Depreciation				
Furniture & Fittings	2,027,559	1,332,961	70,735	3,431,255
Office & Other Equipment	2,229,877	1,998,628	222,806	4,451,311
Computer and Accessories	5,011,704	1,798,530	(107,259)	6,702,975
Computer Software	4,402,327	815,035	(823,903)	4,393,459
Motor Vehicle	5,013,218	1,862,790	(368,180)	6,507,828
	18,684,685	7,807,944	(1,005,801)	25,486,828
Net Book Value	20,757,793			28,618,215

10 Deposits

	Demand	Saving	Time Deposit	Total
Business-Basic	235,012,546	-	-	235,012,546
Business -Corporate	90,748,278	202,847,076	-	293,595,354
Personal	290,401,688	782,254,878	82,379,069	1,155,035,635
Non Resident FCY	3,792,058	-	-	3,792,058
Diaspora Account	6,756,890	-	-	6,756,890
Retention Account	17,798,849	-	-	17,798,849
Provident Fund	-	92,438,332	-	92,438,332
Financial Institution	-	-	207,373,588	207,373,588
	644,510,309	1,077,540,286	289,752,657	2,011,803,252

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

11 Other Liabilities

	Birr	2013
Accrued Interest on Fixed Time Deposits	12,655,946	9,211,678
Accrued Leave Payables	2,491,260	1,260,287
Sundry Payables	50,560,037	3,884,394
Blocked Amount/Accounts	5,350,245	16,964,990
CPO & Certified Cheques	61,734,532	76,519,405
Exchange Commission Payable to NBE	1,321,441	2,597,883
Collection from Shareholders	36,484	36,484
Pension Fund Payable	452,505	81,549
Income Taxes payable	1,392,855	272,209
Duties Contributions and other taxes	1,243,232	668,366
Unearned and Unapplied Interest	10,265,952	1,795,183
Interest Suspense	5,648,064	11,308,053
TT's & MT's Payable Local	5,097,381	4,655,234
Miscellaneous	291,800	699,883
Audit Fee Payable	86,250	79,000
Withholding Taxes payable	446,961	43,901
Bonus Payable	4,805,904	2,334,443
Dividend Tax Payable	256,895	-
Cheque Clearance	4,901,602	35,000
Provision for Claimed Guarantees	10,112,383	
Cost Sharing Payable	7,535	5,182
	179,159,264	**132,453,124**

12 Paid up Share Capital
The authorized share capital of the bank is Birr 700 million comprising 700,000 ordinary shares at par value of Birr 1,000 each. Total subscribed shares at the balance sheet date is Birr 487,820,000 out of which Birr 435,532, 329 is fully paid.

13 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.

14 Commission Income

	Birr	2013
Import Letters of Credit	14,556,210	16,872,521
Commission on CPO & Other Services	6,712,808	6,017,455
Commission on Letter Of Guarantee	21,850,079	15,308,592
	43,119,097	**38,198,568**

15 Interest Income

	Birr	2013
Interest earned on Loans & Advances	152,088,334	75,978,519
Interest earned on Surplus Fund	15,676,102	11,088,359
	167,764,436	**87,066,878**

16 Service Charges

	Birr	2013
Service Charge- Local	9,344,262	3,065,805
Service Charge- Foreign	30,470,092	12,370,779
	39,814,354	**15,436,584**

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

17 Other Income	**Birr**	**2013**
Estimation and Inspection Fee	184,420	219,140
Telephone and SWIFT	1,051,027	841,007
Cash Surplus	87,203	36,891
Sundries	2,111,414	1,564,428
	3,434,064	**2,661,466**

18 General Expenses	**Birr**	**2013**
Depreciation	7,807,944	5,844,274
Amortization of Establishment Cost	855,377	2,698,632
Rent	14,868,412	8,287,325
Stationery & Office Supplies	2,630,073	1,729,829
Business Travel & Transportation	333,740	300,401
Communication	1,936,529	1,440,317
Fees	237,298	106,256
Insurance	1,608,474	599,829
Taxes	596,684	5,273
Fuel & Lubricant	1,061,945	802,361
Wages	401,930	215,117
Sundries	453,410	611,811
Perdiem and Travel	211,163	27,692
Conference & Meeting	707,259	153,201
Repair & Maintenance	1,489,624	855,175
Utilities	281,784	38,267
Bank Charges	603,271	579,182
Advertisement/ Publicity	1,633,483	1,482,218
Business Promotion	800,489	317,330
Loss on FCY Account	14,303,524	7,456,140
Inauguration	4,230	-
Professional Fee	1,117,711	361,658
Security and Janitorial Service	3,124	39,704
Meal Allowance	-	649,538
Entertainment	1,530,603	101,606
Loss on Disposal	8,850	3,900
PSS Related Expenses	1,259,616	-
Penalty Charges	144,073	100
	56,890,620	**34,707,136**

19 Interest Expenses	**Birr**	**2013**
Interest on Saving Deposits	33,647,645	21,655,869
Interest on Fixed Time Deposits	26,945,480	17,540,811
	60,593,125	**39,196,680**

20 Salaries and Benefits	**Birr**	**2013**
Clerical Staff Salaries	23,900,040	12,113,882
Non Clerical Staff Salaries	4,289,462	1,841,383
Provident Fund Contribution	1,718,671	1,204,885
Cash Indemnity Allowance	952,200	618,133
Uniforms	423,152	229,027
Training & Education	86,821	56,505
Severance & Leave Pay	1,485,621	627,007
Medical	492,046	378,939
Bonus	4,853,673	2,189,103
Other Allowance & Benefits	479,916	291,752
Representation Allowance	415,911	279,820
Fuel Allowance	3,923,547	2,218,332
Overtime Payments	82,497	50,036
Pension Fund Contribution	1,604,425	470,810
	44,707,982	**22,569,614**

Berhan International Bank S.C.

TAY & Company Chartered Certified Accountants & Authorized Auditors
Addis Ababa
Ethiopia

Berhan International Bank S.C.
Notes to the accounts
For the Year Ended 30 June 2014

21 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.

22 Provision for Taxation	Birr	2013
Profit before tax	121,656,741	69,992,669
Less: Interest income taxed at source		
Depreciation for Tax Purpose	-	(6,164,492)
Interest on deposit with other domestic banks	(392,642)	(838,546)
interest on treasury Bills and NBE bills	(15,251,850)	(10,242,388)
Interest on Deposit with Foreign banks	(31,610)	(7,425)
	(15,676,102)	(17,252,851)
Add: Disallowed Expenses		
Depreciation for Reporting Purpose	-	8,542,906
Entertainments	1,530,603	101,606
Loss on Disposal	8,850	3,900
Donations	213,024	-
Penalty	144,073	-
	1,896,550	8,648,412
Taxable Profit	107,877,189	61,388,230
Provision for Taxation (at 30% tax rate)	32,363,157	18,416,840

23 Provision for Profit Tax	Birr	2013
Balance Brought Forward	18,420,110	12,905,815
Profit Tax Paid During the year	(18,420,110)	(12,902,545)
Current Year Provision for Profit Tax	32,363,157	18,416,840
Reversal of Deferred Tax Assets	(1,367,618)	-
Balance Carried Forward	30,995,539	18,420,110

24 Earning per Share

Earning per share for the year is calculated on the basis of the average number of shares outstanding during the year. Average number of shares is computed on simple average basis.

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

26 Commitments and Contingent Liabilities

	Birr	2013
Guarantees Issued and Outstanding	441,622,405	213,977,830
Commitments on Letter of Credit net of Margin Paid	50,235,349	77,540,893
Loan Approved but not Disbursed	7,028,447	45,239,059
	498,886,201	336,757,782

27 Other Reserve

Other Reserve represents funds kept aside for construction of Head Quarter premises of the bank .