

2013/14

# ANNUAL REPORT



**የኢትዮጵያ ንግድ ባንክ**  
**Commercial Bank of Ethiopia**

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**የኢትዮጵያ ንግድ ባንክ**  
**Commercial Bank of Ethiopia**





የኢትዮጵያ ንግድ ባንክ  
COMMERCIAL BANK OF ETHIOPIA



**All Under One Roof**

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# PROFILE

- ◀ Established in 1942.
- ◀ The first bank to introduce Automated Teller Machine (ATM) to Ethiopia.
- ◀ Introduced Western Union Money Transfer Services to Ethiopia.
- ◀ Has 832 branches across the country as of June 30, 2014.
- ◀ Plays a catalytic role in the economic progress and development of the country.
- ◀ Strong correspondent bank relationship with about 45 renowned foreign banks and a SWIFT bilateral key arrangements with 770 others.
- ◀ Has about 8.2 million account holders as of June 30, 2014.
- ◀ Strong assets position of Birr 244.1 Billion as of June 30, 2014.
- ◀ Combines wide capital base with 18,524 talented and committed employees.

# VISION

To Become a World-Class Commercial Bank by the year 2025.

# MISSION

We are committed to best realize stakeholders' values through enhanced financial intermediation globally and supporting national development priorities, by deploying highly motivated, skilled and disciplined employees as well as state of the art technology. We strongly believe that winning public confidence is the basis of our success.

# VALUES

## 1. Integrity

- ⦿ We are committed to the highest ideals of honour and integrity.
- ⦿ We strive to act in an honest and trustworthy manner.
- ⦿ We firmly adhere to ethical principles.

## 2. Customer Satisfaction

- ⦿ We strive to excel in our business and satisfy our customers.
- ⦿ We are committed to offer the highest quality service to our customers and aspire to be branded with quality in the minds of our customers and the general public.

## 3. Employee satisfaction

- ⦿ We are committed to employee training and professional growth.
- ⦿ We distinguish our employees as valuable organizational resources.
- ⦿ We recognize our employees for their achievements.

## 4. Learning Organization

- ⦿ We are committed to anticipate and respond to internal and external changes through constant improvement and adaptation.
- ⦿ We strive to establish a culture that nurtures individual and group learning.

## 5. Teamwork and Collaboration

- ⦿ We recognize the importance of teamwork for our success.
- ⦿ We support to one another and working co-operatively.

## 6. Public Trust

- ⦿ We understand that the sustainability of our business depends on our ability to maintain and build confidence.

## 7. Value for Money

- ⦿ We use resources carefully to save expense, time or effort.
- ⦿ We deliver the same level of service for less cost, time or effort.
- ⦿ We deliver a better service or getting a better return for the same amount of expense, time or effort.

## 8. Decentralization

- ⦿ We are committed to delegate operations and decision-making responsibilities.

## 9. Corporate Citizenship

- ⦿ We value the importance of our role in national development endeavor.
- ⦿ We abide by the laws of Ethiopia and other countries in which we do business.
- ⦿ We care about society's welfare and the environment.



COMMERCIAL BANK OF ETHIOPIA  
**BOARD OF DIRECTORS**



**H.E Ato Bereket Simon**  
Board Chairman



**H.E Ato Siraj Fegessa**  
Board Member



**H. E Ato Abay Tsehay**  
Board Member

COMMERCIAL BANK OF ETHIOPIA  
**BOARD OF DIRECTORS**



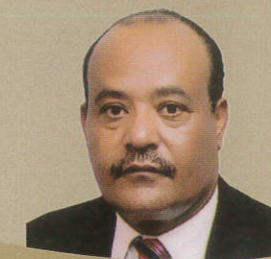
**Ato Debebe Abera**  
Board Member



**Dr. Wolday Amha**  
Board Member



**Dr. Mesfin Belachew**  
Board Member



**Ato Nebiyu Samuel**  
Board Member



**Ato Getachew Negera**  
Board Member



**Ato Alemayehu Hunde**  
Board Secretary



COMMERCIAL BANK OF ETHIOPIA  
PROCESS COUNCIL



**Ato Bekalu Zeleke**  
President



**Ato Abay Mehari**  
Credit Management  
Vice President



**Ato Mohammed Nuredin**  
Trade Services  
Vice President



**Ato Seifu Bogale**  
Human Resources Management  
Vice President



**Woizero Melika Bedri**  
Information Systems  
Vice President

COMMERCIAL BANK OF ETHIOPIA  
PROCESS COUNCIL



**Ato Mulugeta Alemayehu**  
Finance  
Vice President



**Woizero Meseret Asfaw**  
Facilities Management  
Vice President



**Ato Wondale Belachew**  
Credit Appraisal and  
Portfolio Management  
Vice President



**Ato Solomon Alula**  
Chief Internal Auditor



**Ato Yishak Mengesha**  
Chief Business Development  
Officer



**Woizero Tirubirhan Hailu**  
Chief Risk and Compliance  
Management Officer



**Ato Samuel Tadesse**  
Chief Legal and Loan  
Recovery Officer



**Woizero Sosina Mengesha**  
Director  
Strategy Management



## FINANCIAL HIGHLIGHTS

Particulars (Mn Birr)	2011/12	2012/13	2013/14
<b>Annual Operating Results</b>			
Total Income	11,574	13,727	17,797
Interest Income	6,703	9,539	11,997
Non-Interest Income	4,870	4,188	5,800
Total Expenses	3,642	5,166	7,848
Interest Expenses	1,676	2,380	3,438
Non-Interest Expenses	1,966	2,786	4,410
Profit Before Tax	7,932	8,561	9,949
Net Profit for the Year	5,434	5,866	6,890
<b>Balance Sheet Status</b>			
Total Assets	158,853	195,443	244,128
Outstanding Loans and Advances	122,993	149,006	200,980
Total Liabilities	151,154	186,244	233,036
Total Deposits	120,116	154,438	194,052
Capital and Reserve	7,700	9,199	11,092
<b>Non-financial Performance</b>			
Number of Branches	547	695	832
Number of Employees	12,782	15,007	18,524
<b>Profitability (%)</b>			
Net Interest Margin	4.6	4.7	4.3
Return on Assets	5.9	4.8	4.4
Return on Equity	114.1	101.2	98.0
<b>Capital Adequacy (%)</b>			
Capital Adequacy Ratio	9.2	13.3	12.9



## MESSAGE OF THE

## PRESIDENT



I am very pleased and greatly honored to announce to all stakeholders the remarkable achievement of the Commercial Bank of Ethiopia (CBE) during the 2013/14 fiscal year. The gross profit of the Bank reached an all-time high of Birr 9.9 billion for the first time in its 72 years of existence.

The Ethiopian economy continues to perform strongly for the tenth successive year, registering a 10.9% average growth per annum, mainly supported by the market-oriented agricultural production, expanded local and foreign investment in construction, growth in agro-processing and manufacturing sector as well as large public investments on infrastructure and social services.

As the leading player in the domestic banking industry, CBE has seized the opportunities created by the favorable economic growth in the country. The total income of the Bank rose to Birr 17.8 billion in 2013/14, showing a Birr 4.1 billion (29.6%) increase over the performance of the previous year. At the end of the fiscal year, the total asset of the Bank stood at Birr 244.1

billion, registering a growth rate of 25% compared with the preceding year. Total deposit reached Birr 194.1 billion, a 25.7% growth over the performance of the preceding year. On the other hand, the overall expenses of the Bank during the year under review reached Birr 7.8 billion, showing an increase of 51.9% over the previous year that is generally linked with the rapid expansion of the Bank.

The CBE has demonstrated its commitment to reaching out potential customers and the public by opening 137 additional branches across the country during the year under review. The opening of these branches not only enabled the Bank to widen its customer base, but also guaranteed accessibility to the general public at large.

With the launching of the core banking project, which went live in May 2012, many of the branches and other units of the bank are connected, substantially contributing to improved service delivery. This process will continue in the coming years until all operational units are fully connected

to the core banking technology. The Bank has also expanded many technology based services, including ATMs, POS, Mobile Banking and Internet Banking services. These services will continue to be expanded in the years to come in line with the objective of creating a cashless society in Ethiopia.

At this occasion, I would like to thank the Board of Directors for their visionary leadership and CBE's employees for their commitment to achieving such an outstanding result. I would also like to express my appreciation to the Bank customers in particular, and the public in general, for their priceless contributions to the operational success attained by the CBE during the fiscal year 2013/14.

With the continued support of CBE's esteemed customers, visionary leadership of the BoD and the commitment of its staff, I am confident that we will have no difficulty in realizing our vision of becoming a world-class commercial bank.

**Bekalu Zeleke**



# 1. Global and Domestic Economic Highlights

## 1.1. Global Economy

The global economy has started to strengthen since the second half of 2013. Despite slowdown in recovery, it is estimated to grow by 3.6% in 2014, from 3% in 2013, reflecting a recovery in some of the advanced economies, particularly the US economy. Recovery of the Euro-area remains weak. Developing and emerging economies, which have been contributing more than two-thirds of the global growth, will continue to register further growth in 2014. Sub-Saharan countries registered an impressive average growth of 4.9% in 2013 and are expected to register 5.4% in 2014. Improvement in the developed economies is expected to be the driving force in stimulating the global economy (IMF, July 2014).



The trends in global import and export commodities show that there has been consistent fluctuation in volume and price, which affected the economic performance of both developing and advanced economies. The volume of world trade grew by 3% in 2013, and this is expected to rise to 4.3% by the end of 2014, mainly due to the growth in trade volume from emerging economies. The 2013 import performance of developing and developed economies has been 5.6% and 1.4%, respectively; and this is estimated to be 5.2% and 3.5% in 2014. Export performances for advanced and developing economies were 2.3% and 4.4 in 2013, and are expected to improve to 4.2% and 5%, respectively, by the end of 2014.

The World Investment Report (2014) indicated that the global FDI flow reached USD 1.5 trillion in 2013. Of this, the share of Africa was USD 57 billion. Considering Africa as growth corridor of the world, this share is estimated to increase in the years to come. Remittances are also important sources of funds to countries such as Ethiopia. The World Bank (2014) report revealed that remittance to developing economies was estimated at USD 404 billion in 2013, of which the shares of remittance to Sub-Saharan Africa (SSA) was estimated to be around 32 billion USD. Nevertheless, the share of SSA countries is expected to increase as the number of African migrants is growing.

The drop in oil price starting from June 2014 is a good news for both developing and developed oil importing economies, as it helps to further strengthen the recovery of advanced economies and the growth performance of non-oil exporting countries. The cost of energy and transport of these countries is likely to decrease with favourable impact on their entire economy.

Global financial conditions have also eased during the period under consideration. Long-term interest rates in advanced economies declined further, and are very close to zero intended to stimulate growth recovery in these countries.

## 1.2. Ethiopian Economy

Economic growth in Ethiopia remained strong with the help of large investments in infrastructure and expanded productive capacity in the energy sector. This solid growth has been inclusive and broad based, benefiting both the urban and rural population. Growth for 2013/14 was an average of 10.9% (MoFED, 2013/14), which is similar to the preceding year.



Looking at sectoral contributions, agriculture played the leading role in food crop production and commodities for export. It accounted for 40.2% of GDP in 2013/14. On the other hand, the service sector accounted for 45.9% of the total GDP. It registered an annual growth rate of 11.9% during 2013/14, mainly driven by growth in hotel and tourism (26.4%), financial intermediation (17.8%), and wholesale and retail trade (14.9%). Over the same period, the average annual growth rate of the industry was 21.2% with a GDP share of 14.2%. The construction industry contributed more than half (53.1%) of the growth in the industrial sector.

During the fiscal year being reviewed, the domestic saving rate reached 22.5% of the GDP and capital formation was estimated at about 36%, both of which improved substantially when compared to the rate in 2011. Inflation was managed at a single digit during 2013/14 with positive impact on the economy. These improvements were the result of various measures, including the continued building of financial structure along with monetary and fiscal policies to ensure macroeconomic stability while maintaining high growth. Birr against dollar(USD) was 19.1, which is 4.9% higher than the rate during the preceding year, suggesting that it was maintained stable and predictable.

On the whole, the Ethiopian economy showed an encouraging performance, with positive effects on the performance of the financial sector in general and that of the Commercial Bank of Ethiopia in particular.



# 2. Financial Statement Analysis

## 2.1. Income Statement Analysis

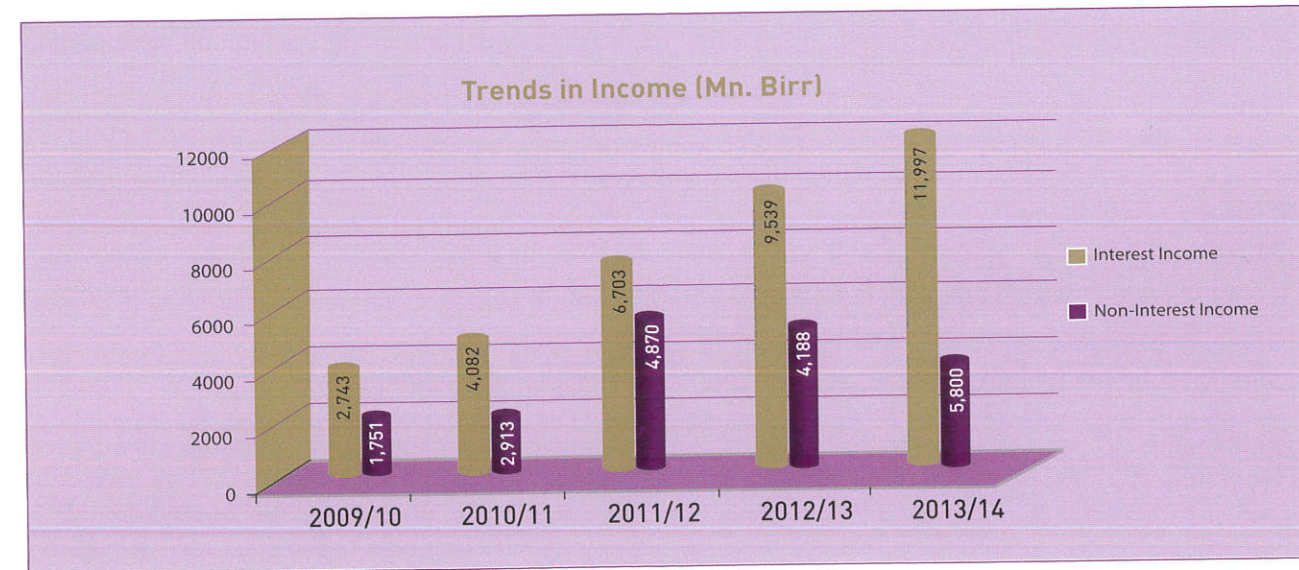
The total income of the Bank for 2013/14 stood at Birr 17.8 billion, registering a growth of 29.6% when compared with the preceding year performance of Birr 13.7 billion. This resulted because of the growth in both interest income and non-interest income. The income generated from foreign banking operations was about Birr 5.3 billion, accounting for 29.7% of the total income.

On the other hand, the total expense of the Bank stood at Birr 7.8 billion, showing an increase of Birr 2.7 billion (51.9%) over the previous year Birr 5.2 billion. This is due to the rise in both interest and non-interest expenses in connection with the business expansion of the Bank.

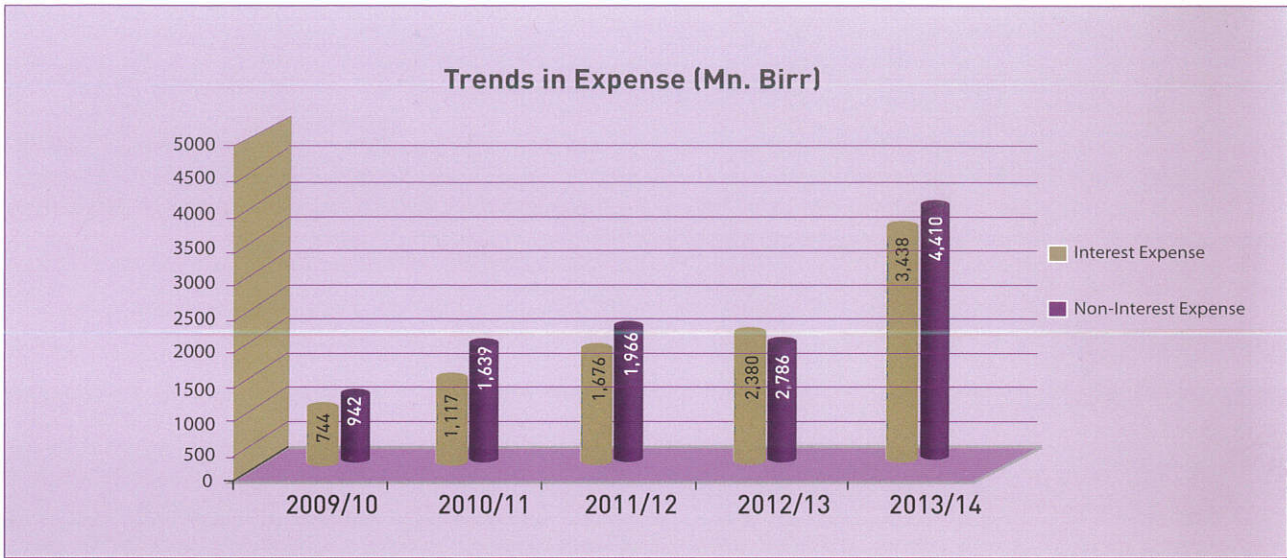
Trends in Income Statement (Mn. Birr)

Particulars	2013	2014	Percent Change
<b>Total Income</b>	<b>13,727</b>	<b>17,797</b>	<b>29.6</b>
Interest Income	9,539	11,997	25.8
Non-Interest Income	4,188	5,800	38.5
<b>Total Expenses</b>	<b>5,166</b>	<b>7,848</b>	<b>51.9</b>
Interest Expense	2,380	3,438	44.5
Non-Interest Expense	2,786	4,410	58.3
<b>Profit Before Tax</b>	<b>8,561</b>	<b>9,949</b>	<b>16.2</b>

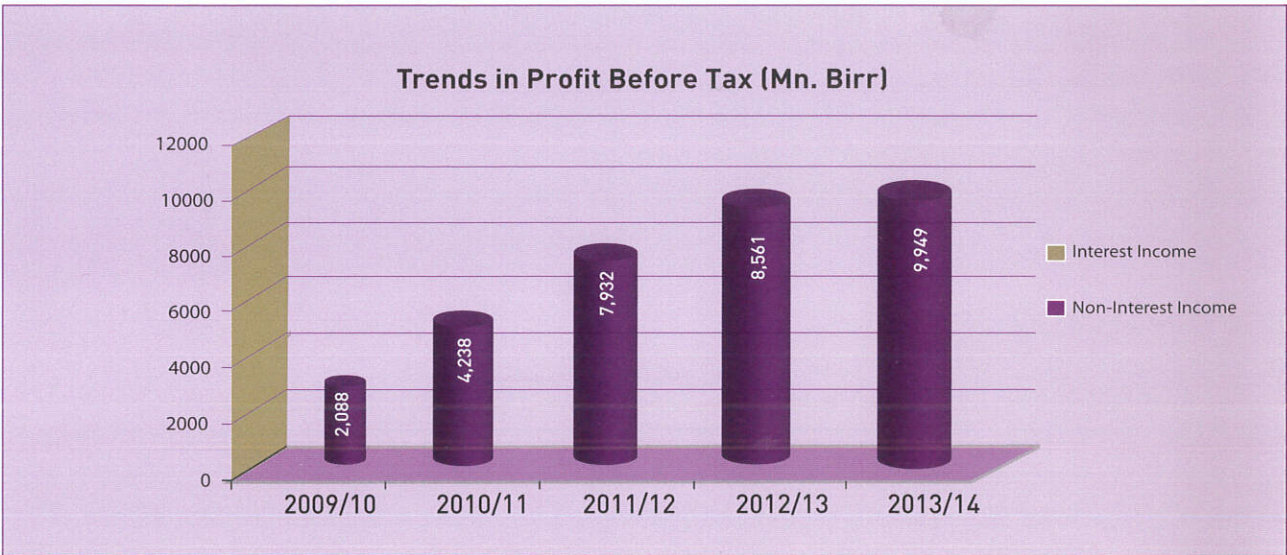
Performances of the past five years show that the total income of the Bank has registered a consistent growth. Interest income contributed the lion's share to the total income growth. Interest income of the Bank was around Birr 2.7 billion in 2009/10; and this figure rose to Birr 12 billion by the fiscal year 2013/14.



Total expenses of the Bank also increased consistently mainly due to an increase in both interest and non-interest expenses. The growth in non-interest expenses took the lion's share of the total expenses of the Bank.

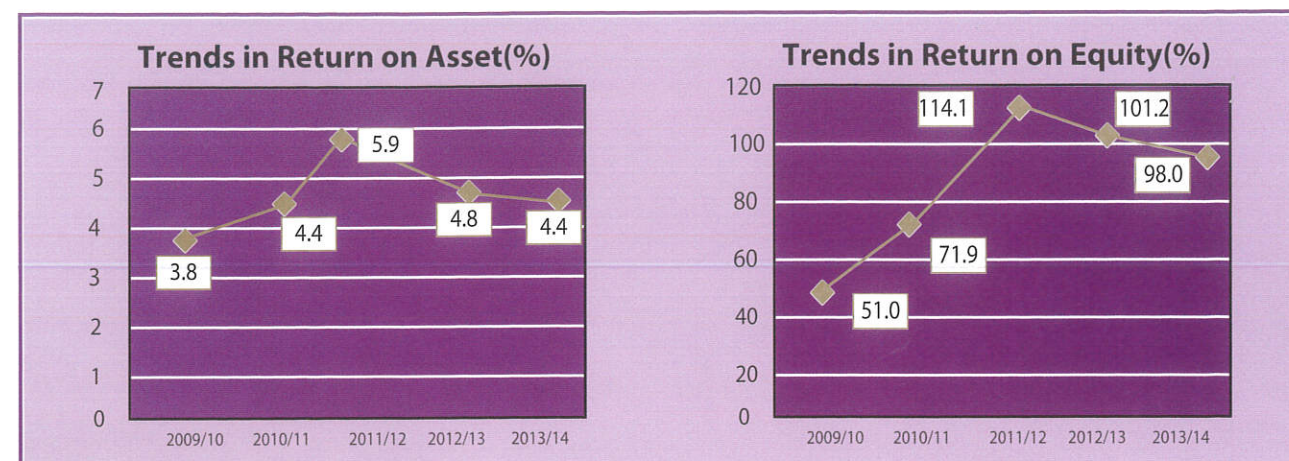


The operating profit of the Bank increased successively and reached Birr 9.9 billion in 2013/14, which shows a growth of 16.2% when compared with the preceding fiscal year. The net profit of the Bank stood at about Birr 6.9 billion, showing a growth of 17.4% against Birr 5.9 billion in 2012/13.

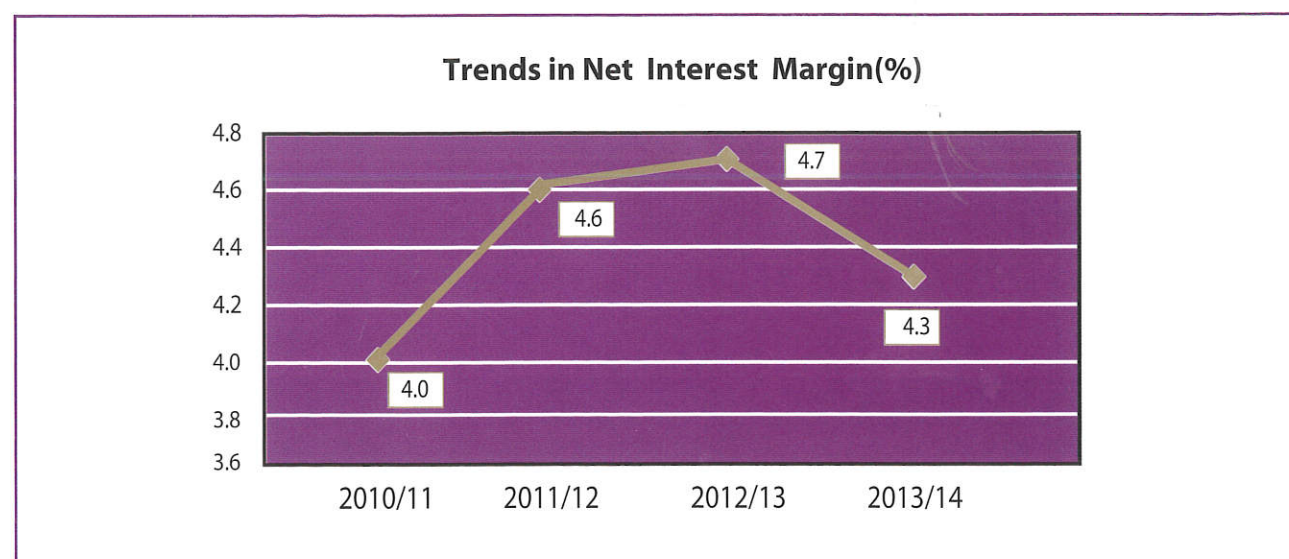


The return on asset (RoA) and the return on equity (RoE) level of the Bank stood at 4.4% and 98%, respectively. These performances are high compared with the accepted minimum standards, implying the continuing vigorous profitability of the Bank.





Net interest margin for the year stood at 4.3%, which is slightly lower than the ratio of the preceding year's level of 4.7%; but shows the continued robust profitability of the Bank.

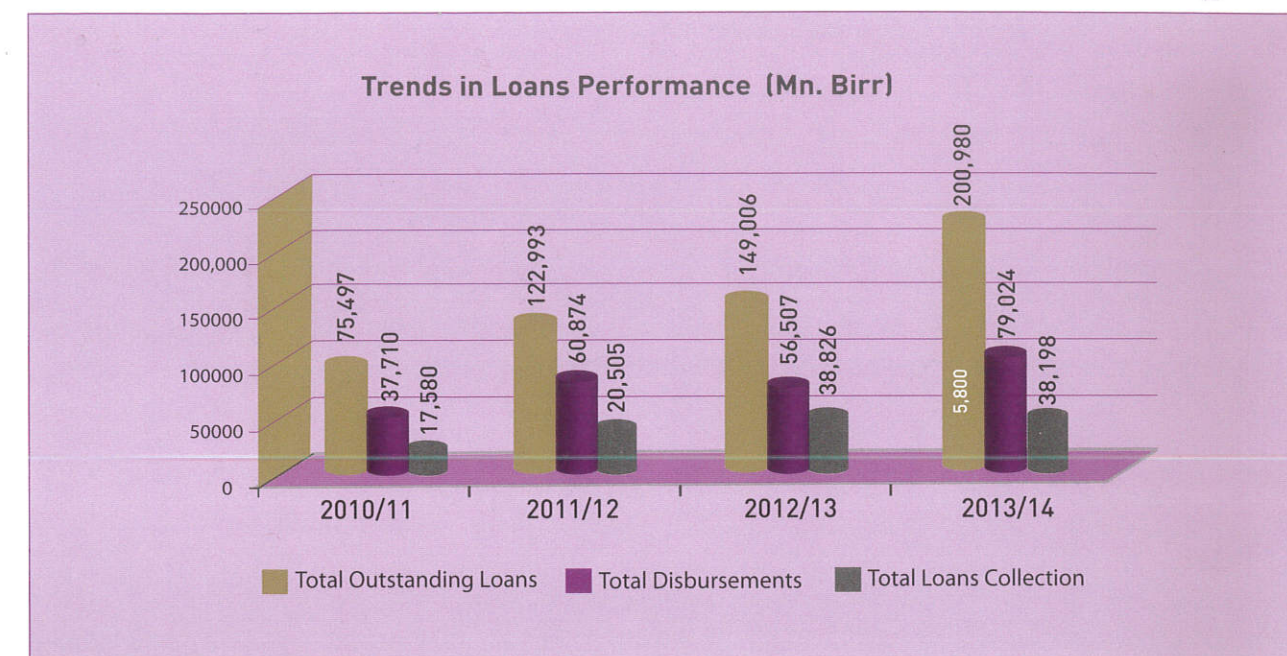


## 2.2 Balance Sheet Analysis

### 2.2.1 Asset Structure

In 2013/14, the total asset of the Bank was Birr 244.1 billion, exceeding the preceding year's level by Birr 48.7 billion (24.9%). Net other assets, property and equipment as well as other investments and investment in bonds were the main accounts that contributed to the growth of the total asset of the Bank.

The amount of fresh loans disbursed to the various economic sectors during the reporting year was Birr 79 billion, indicating a growth of 39.8% as compared with the level of the preceding year. Favorable deposit mobilization and strong loan collection performances registered during the year helped boost approval of new loans and investments on bonds.



### 2.2.2 Outstanding Loans by Sector

The total outstanding loans of the Bank for 2013/14 stood at Birr 201 billion, depicting a growth rate of 34.9% from the previous year status. A large portion of the loans went to the manufacturing sector, which took around 22% of the total loan outstanding. Loans to the manufacturing sector grew by around 45% during the year.

The second largest portion of the loans given to foreign trade, which has nearly 9% share of the total loans outstanding, grew by around 15% during the year. Domestic trade and services had around 2% share of the total loans outstanding, and it grew by around 15% in 2013/14. This shows that the Bank has been working to boost the contribution of the manufacturing sector.

### 2.2.3 Liabilities

The total liabilities of the Bank for the year under review stood at Birr 233 billion which exceeded that of the previous year by 25.1%. The continued growth of customers' deposit was the major contributor to the growth of the overall liabilities of the Bank. Mobilized deposits remained the major source of funding. Aggressive expansion in branch network, large public confidence and favorable business environment helped the Bank to command a large deposit base. During the year, the Bank's total deposit reached Birr 194.1 billion, indicating a growth of 25.7% when compared with that of the previous year. This was mainly due to the growth of saving deposits by about 52%.

Demand deposits increased as well by 11.7% when compared with the preceding year, while fixed time deposits rose by 10.0%. This shows that the Bank has been expanding all types of deposits.



### Deposit at Year-end (Mn. Birr)

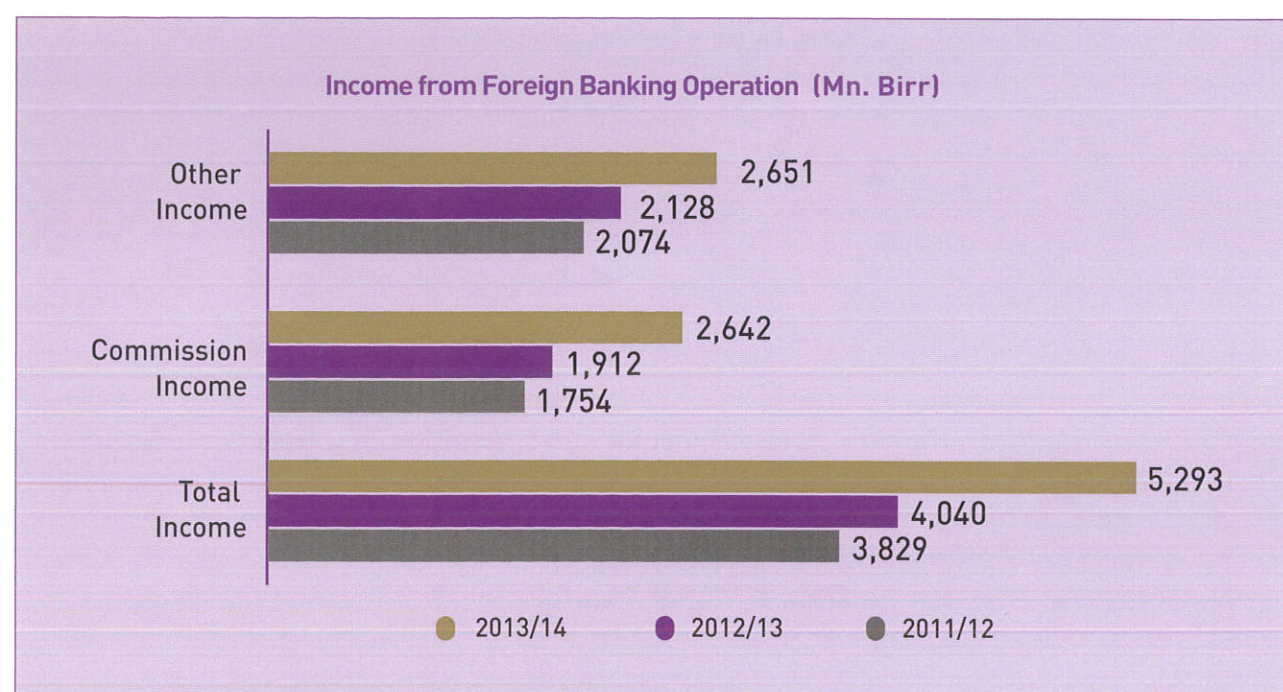
Particulars	2012/13	2013/14	Growth in %
Demand Deposit	92,241	103,051.62	11.7
Savings Deposit	53,407	81,329.20	52.3
Fixed time Deposit	8,790	9,671.00	10.0
<b>Total Deposit</b>	<b>154,438</b>	<b>194,051.90</b>	<b>25.7</b>

### 2.2.4 Capital Adequacy

CBE's capital and reserve position increased from Birr 9.2 billion in 2012/13 to Birr 11.1 billion in 2013/14. The risk weighted capital adequacy ratio stood at 12.9%, which is well above the minimum requirements of 8%. The growth in capital and reserve further reflects the Bank's continued financial strength.

## 2.3. International Banking

International banking operation is one of the core business areas from which CBE earns a significant income. CBE maintains healthy business relationships with many prominent banks around the world. The overall income earned from foreign banking operations stood at Birr 5.3 billion, which suggests an increase by 31% from the preceding year of Birr 4 billion.



### 2.3.1. Foreign Currency Earnings

Foreign currency mobilization is one of the crucial components of the overall resource mobilization strategy of CBE. Consequently, the total foreign currency inflow during the year under review reached USD 5.5 billion, up by 15.0% from the preceding year. All the FCY earning categories recorded a favorable achievement when compared with the preceding year.

With large concentration of Ethiopian Diaspora communities in North America, Europe, and the Middle East, Ethiopia stands to derive large benefits from remittance inflows. The total share of remittance has been large in volume, which contributed more than 45% of the total FCY inflows. It also registered an annual growth of 19.6% in 2013/14.

### Foreign Currency Receipts (Mn. USD)

Particulars	2012/13	2013/14	Growth in %
<b>Exports</b>	<b>1,071.0</b>	<b>1,126.1</b>	<b>5.1</b>
<b>Remittances</b>	<b>2,099.6</b>	<b>2,511.2</b>	<b>19.6</b>
Private Transfers	1,600.1	1,852.3	15.8
Official Transfers	499.5	658.9	31.9
<b>FCY Purchases</b>	<b>318.1</b>	<b>416.8</b>	<b>31.0</b>
<b>Service Receipts</b>	<b>1,323.2</b>	<b>1,478.0</b>	<b>11.7</b>
<b>Total Inflows</b>	<b>4,811.9</b>	<b>5,532.1</b>	<b>15.0</b>

## 3. Others

### 3.1. Human Resources

Cognizant of the fact that strengthening the human resources development is key to organizational success, CBE continued to exert unreserved efforts towards strengthening its human capacity through providing various on-and-off the job training and by recruiting additional new and trained employees and retaining existing staff through devising various incentives and benefit packages. The Bank recruited 3,905 permanent employees during the year under review, and the total number of staff was raised to 18,524 during 2013/14 from 15,007 the preceding year.

With the objective of enhancing the expertise and professionalism of its employees to the required level, a total of 15,478 employees participated in different managerial and technical capacity enhancement training programs during the year. In addition to the in-house skill upgrading training programs, the Bank sponsored several employees to attend post-graduate studies.

As the success of the Bank highly depends on the quality of its human resources, CBE will continue to give large emphasis on recruiting qualified professionals, training its staff, and improving the benefit packages. By doing so, the Bank would ensure that its workforce is equipped with the appropriate managerial and technical knowledge in the competitive and dynamic business environment.



### 3.2. Technology Deployment

Global technological advancement in information technologies towards service industry has brought about vast opportunities. The effort of CBE to tap these opportunities has been encouraging and crucial to transform the Bank. The recent performance of CBE shows that the total cost of investment on IT hardware and software reached around Birr 568 million as of June 2014. This balance was around Birr 415 million in the preceding year. As a result of this investment, the number of ATMs and POS machines deployed increased. Most of the Bank units were also connected to core banking, which went live in 2012, and helped to improve service delivery. Mobile and internet banking services had also expanded. These efforts will continue in the years to come to make the Bank more competitive and win the hearts and minds of its existing and potential customers.

### 3.3. Overall Business Development

The Bank opened 137 new branches during 2013/14 FY, bringing its total branch network to 832. Many of its existing branches also expanded their services by opening additional windows. Consequently, the customer base grew significantly, reaching 8.2 million customers, depicting an incremental of about 2 million during the fiscal year under review. Furthermore, additional 183 ATMs and 38 points of sale (POS) machines were deployed across major cities and business locations. Moreover, additional 673,292 visa cards were issued, and the number of visa card holders reached 973,762 by June 30 2014.

Apart from increased accessibility, impressive progress was also registered during the fiscal year with respect to introducing new products such as interest free banking, youth, and women savings schemes. These products have been progressing well and contributed to the overall deposit mobilization efforts of the Bank.

In the years to come, CBE will continue to expand its branch network, deploy more ATMs and POS machines so that it should enhance convenience to its customers and further improve its service delivery. By enhancing its service delivery and expanding its outreach, the Bank is committed to maintaining its market share in addition to adding more values to its customers.

## ገብደትዎን ቀላልና ዘመናዊ ያድርጉ!



### የፕስ አገልግሎት

- በተስያዩ የንግድ እና አገልግሎት መስጫ ተቋማት
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**የኢትዮጵያ ንግድ ባንክ**  
Commercial Bank of Ethiopia





የሞባይል ባንክ ንግ አገልግሎት  
ተጠቃሚ ይሁኑ !!



- ✓ ሂሳብዎ ውስጥ ያለውን ቀሪ ገንዘብ ማወቅ
- ✓ በባንኩ ውስጥ ሂሳብ ላለው ደንበኛ ገንዘብ ማስተላለፍ /ክፍያ መፈፀም
- ✓ በሂሳብዎ ላይ የተደረገውን እንቅስቃሴ /ወጪ እና ገቢ /ማወቅ
- ✓ ወደ ባንኩ ቅርንጫፍ መሄድ ሳያስፈልግዎ ገንዘብ መላክ /ሐዋላ መስጠት
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- ✓ የባንኩ ኤ.ቲ.ኤምቸ የት እንደሚገኙ ማወቅ

# 2013/14 Auditor's Report



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ሁሉም የሚተማመኑበት ባንክ !!

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The Federal Democratic Republic of Ethiopia  
Audit Services Corporation

**INDEPENDENT AUDITORS' REPORT TO THE  
SUPERVISING AUTHORITY OF  
COMMERCIAL BANK OF ETHIOPIA**

We have audited the accompanying consolidated financial statements of Commercial Bank of Ethiopia and its consolidated subsidiaries, which comprise the consolidated balance sheet as at 30 June 2014, and the consolidated profit and loss account and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Responsibility for the Financial Statements***

The President of the Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Commercial Code of Ethiopia of 1960, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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**INDEPENDENT AUDITORS' REPORT TO THE  
SUPERVISING AUTHORITY OF  
COMMERCIAL BANK OF ETHIOPIA (continued)**

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 consolidated financial statements present fairly the financial position of Commercial Bank of Ethiopia and its subsidiaries as at 30 June 2014 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Commercial Code of Ethiopia of 1960.

*Audit Services Corporation*

24 November 2015



**COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2014**

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>ASSETS</b>			
Cash and bank balances	9	15,156,565,357	17,493,569,359
Treasury bills	10	116,116,023	110,573,280
Government securities	11	1,635,541,148	2,394,273,797
Coupon bonds	12	17,737,084,874	14,231,724,850
Corporate bonds	13	92,400,000,000	65,100,000,000
Placements with other banks	14	17,244,037,613	18,004,655,290
Loans to Micro-finance		388,141,899	508,519,604
Loans and advances to customers	15	86,873,653,454	67,856,376,425
Other advances		3,580,799,338	1,309,877,153
Other investments	16	42,781,589	40,108,718
Other assets	17	7,095,188,484	7,149,437,130
Property, plant and equipment	18	1,671,190,881	1,054,249,474
Intangible assets	19	87,571,056	101,444,141
Goodwill		12,563,817	-
Leasehold land	20	86,576,069	88,410,922
		<b>244,127,811,602</b>	<b>195,443,220,143</b>
<b>LIABILITIES</b>			
Deposits due to other banks		896,258,454	450,978,739
Customers' deposits	21	193,155,607,035	153,987,300,169
Current tax liabilities	8 (d)	3,053,988,901	2,702,027,511
Finance lease obligations		40,742,968	49,423,906
Dividend	22	9,377,803,827	4,364,426,873
Deferred tax liability	23	5,623,630	18,556,448
Other liabilities	24	26,505,506,090	24,671,113,452
		<b>233,035,530,905</b>	<b>186,243,827,098</b>
<b>NET ASSETS</b>		<b>11,092,280,697</b>	<b>9,199,393,045</b>
<b>CAPITAL AND RESERVES</b>			
Capital	25	8,082,416,551	8,082,416,551
Legal reserve	26	2,688,425,162	966,772,855
Retained earnings	27	239,993,430	88,413,464
Foreign currency translation	28	72,794,890	56,229,614
<b>Equity attributable to the owner of the Bank</b>		<b>11,083,630,033</b>	<b>9,193,832,484</b>
Non-controlling interests		8,650,664	5,560,561
		<b>11,092,280,697</b>	<b>9,199,393,045</b>

Vice President Finance

Addis Ababa, 24 November 2015



President

**COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED PROFIT AND LOSS ACCOUNT AND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
INTEREST INCOME	4	11,996,706,897	9,539,165,769
INTEREST EXPENSE	5	(3,437,775,111)	(2,379,731,140)
NET INTEREST INCOME		<u>8,558,931,786</u>	<u>7,159,434,629</u>
IMPAIRMENT LOSSES ON LOANS AND ADVANCES		(537,756,765)	(500,000,000)
ACQUIRED PROPERTY		=	(541,859)
		<u>(537,756,765)</u>	<u>(500,541,859)</u>
NET INTEREST AFTER IMPAIRMENT LOSSES		<u>8,021,175,021</u>	<u>6,658,892,770</u>
GAIN ON FOREIGN CURRENCY TRANSACTIONS		1,156,912,579	1,006,895,594
NON INTEREST INCOME	6	4,643,086,557	3,181,395,370
NON INTEREST EXPENSES	7	(3,872,161,609)	(2,285,800,698)
		<u>1,927,837,527</u>	<u>1,902,490,266</u>
<b>PROFIT BEFORE TAX</b>		<b>9,949,012,548</b>	<b>8,561,383,036</b>
Income tax expense	8(a)	(3,059,313,218)	(2,695,296,591)
<b>PROFIT FOR THE YEAR</b>		<b>6,889,699,330</b>	<b>5,866,086,445</b>
<b>Other comprehensive income</b>			
Exchange difference on translating foreign operations		16,565,276	12,474,389
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,906,264,606</b>	<b>5,878,560,834</b>
Profit for the year attributable to			
Owner of the Bank		6,886,615,122	5,863,727,718
Non-controlling interests		3,084,208	2,358,727
		<u>6,889,699,330</u>	<u>5,866,086,445</u>
Total comprehensive income for the year attributable to			
Owner of the Bank		6,903,174,503	5,876,202,107
Non-controlling interests		3,090,103	2,358,727
		<u>6,906,264,606</u>	<u>5,878,560,834</u>

Vice President Finance

Addis Ababa, 24 November 2015



President



COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014

	Capital ETB	Legal Reserve ETB	Retained Earnings ETB	Foreign Currency Translation Reserve ETB	Attributable to owner of the Bank ETB	Non- Controlling Interests ETB	ETB
Balance at 30 June 2012	4,000,000,000	3,588,464,212	64,428,813	43,755,225	7,696,648,250	3,201,834	7,699,850,084
Profit for the year			5,863,727,718	12,474,389	5,863,727,718	2,358,727	5,866,086,445
Other comprehensive income for the year							12,474,389
Transfer to legal reserve		1,460,725,194	1,460,725,194				
Transfer to capital	4,082,416,551	(4,082,416,551)					
Transfer to capital of subsidiary			(14,591,000)		(14,591,000)		(14,591,000)
Dividend			(4,364,426,873)		(4,364,426,873)		(4,364,426,873)
Balance at 30 June 2013	8,082,416,551	966,772,855	88,413,464	56,229,614	9,193,832,484	5,560,561	9,199,393,045
Profit for the year			6,886,609,227		6,886,609,227	3,090,103	6,889,699,330
Other comprehensive income for the year				16,565,276	16,565,276		16,565,276
Transfer to legal reserve	-	1,721,652,307	(1,721,652,307)				
Dividend	-		(5,013,376,954)		(5,013,376,954)		(5,013,376,954)
Balance at 30 June 2014	8,082,416,551	2,688,425,162	239,993,430	72,794,890	11,083,630,033	8,650,664	11,092,280,697

COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	6,889,699,330	5,866,086,445
Adjustments for		
Income tax expense recognized in profit or loss	3,059,313,218	2,695,941,029
Investment income recognized in profit or loss	(1,309,139)	(29,700,223)
Impairment of loans and advances	537,756,765	491,703,626
Depreciation and amortization of non-current assets	280,001,048	299,374,935
Gain on disposal of property, plant and equipment	(6,924,904)	(3,422,687)
	10,758,536,318	9,319,983,125
Movements in working capital		
Increase in coupon bonds	(3,505,360,024)	(1,079,343,109)
Increase in corporate bonds	(27,300,000,000)	(16,200,000,000)
Increase in loans and advances	(21,705,786,758)	(9,230,204,297)
Decrease in other assets	54,871,266	144,252,300
(increase) Decrease in cash reserve with National Bank	(1,730,079,443)	(2,053,790,000)
Increase in customers' deposits	39,168,306,866	37,402,840,914
Increase in other liabilities	1,834,392,638	257,067,967
<b>Cash generated from operations</b>	<b>(2,425,119,137)</b>	<b>22,668,386,900</b>
Income taxes paid	(2,720,284,648)	(2,486,003,672)
<b>Net cash generated by (used in) operating activities</b>	<b>(5,145,403,785)</b>	<b>(20,182,383,228)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	219,909	15,109,223
Payments for property, plant and equipment	(882,574,182)	(416,445,227)
Proceeds from disposal of property, plant and equipment	7,850,433	3,422,715
Proceeds from redemption of government securities	758,732,649	52,758,821
Payments for intangible assets	(12,563,817)	(137,906,324)
Payment for leasehold land	(8,680,938)	(3,740,345)
Payment for guarantee deposit	(733,591,902)	(6,286,740,315)
<b>Net cash used in investing activities</b>	<b>(870,607,848)</b>	<b>(6,773,541,452)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(4,064,564,723)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(4,064,564,723)</b>
<b>Unrealised gains arising from changes in foreign currency exchange rates</b>	<b>14,981,637</b>	<b>11,129,492</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(6,001,029,996)</b>	<b>9,355,406,545</b>
Cash and cash equivalents at the beginning of the year	15,150,715,105	5,795,308,560
<b>Cash and cash equivalents at the end of the year</b>	<b>9,149,685,109</b>	<b>15,150,715,105</b>
<b>Cash and cash equivalents comprise</b>		
Cash in hand	3,160,729,502	2,582,346,568
Treasury bills	116,116,023	110,573,280
Balances with National Bank of Ethiopia	1,092,123,685	6,067,315,151
Balances with Central Bank of South Sudan	985,252,827	655,527,740
Placements with other banks	4,691,721,526	6,185,931,105
Deposits due to other banks	(896,258,454)	(450,978,739)
	<b>9,149,685,109</b>	<b>15,150,715,105</b>



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. **BANK INFORMATION**

The Bank is established as a limited liability public enterprise in the Federal Democratic Republic of Ethiopia.

The Bank's head office is in Addis Ababa and it has 900 branches throughout Ethiopia.

It is wholly owned by the Government of the Federal Democratic Republic of Ethiopia.

2. **BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank - its subsidiaries. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

3. **SIGNIFICANT ACCOUNTING POLICIES**

a) **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and in the manner required by the Commercial Code of Ethiopia of 1960.

b) **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement of impaired assets at their fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set out below.

c) **Income**

Income is recognized in the period in which it is earned. When a lending account becomes non-performing, interest is suspended and excluded from income until it is received. However, it is computed and shown in a memorandum account. Expense is recognized in the period in which it is incurred.

d) **Non-interest income**

(i) **Dividend income**

Dividend income is recognized when the Bank's right to receive a dividend as a share holder is established.

(ii) **Rental income**

Rental income is recognized on a straight line basis over the lease term.

(iii) **Other income**

Other income is recognized when significant risks and rewards of ownership are transferred to the recipient and the amounts of revenue can be measured reliably.

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

e) **Treasury bills and government securities**

Treasury bills and government securities bearing interest are stated at cost plus accrued interest. Non-interest bearing securities are discounted using the effective interest rate

f) **Coupon and corporate bonds**

Coupon and corporate bonds are stated at cost.

g) **Financial instruments**

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. They are initially measured at fair value.

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

h) **Other investments**

Other investments are stated at cost. Income is recognized only to the extent that distributions are received from net profits that have arisen subsequent to the date of acquisition.

i) **Tangible assets**

(i) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged on the straight-line basis at the following rates per annum.

	%
Buildings	5
Computers and software	25
Fixtures, fittings and equipment	20
Motor vehicles	20

(ii) **Capital work in progress**

Capital work in progress is included under property, plant and equipment and comprises costs incurred on ongoing capital works. These costs include material, transport, and labour.

(iii) **Acquired properties**

Acquired properties are properties that were used as collateral for loans and advances and that have been transferred to the Bank after foreclosure. The properties are held for sale and are stated at fair value through profit or loss.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Goodwill

Goodwill arose in the acquisition of Bole Printing Enterprise during the year, because the consideration paid exceeded the values of the tangible assets acquired. Goodwill is not amortized, but is tested for impairment at each year end.

k) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in profit or loss.

Leasehold land is presented separately on the face of the balance sheet and is stated at cost less accumulated amortization. The costs are amortized over the period of the leases.

l) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported in the profit and loss account because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax legislation that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Enterprise, as at the end of the reporting period, expects to recover or settle the carrying amount of these assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Distribution of profits

The net profit of the Bank is distributed in accordance with Distribution of Profits of Public Enterprises Council of Ministers Regulation No. 107/2004.

n) Leave accrual

Employees' entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave at the reporting date.

o) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and short term, highly liquid investments with maturity periods of three months or less.

p) Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Ethiopian Birr at the exchange rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Resultant exchange differences are recognized in profit or loss for the year. Non-monetary assets and liabilities denominated in foreign currency are recorded at the exchange rate ruling at the date of the transaction.

q) Trust funds

The Bank and its subsidiaries act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Assets held in trust are not included in the consolidated balance sheet.



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>4 INTEREST INCOME</b>		
Loans and advances	6,616,249,482	5,330,441,908
Corporate bonds	4,714,335,929	3,162,282,836
Coupon bonds	451,251,903	940,427,561
Placements with other banks	184,323,160	66,898,377
Government bonds	30,546,423	39,115,087
	<b>11,996,706,897</b>	<b>9,539,165,769</b>
<b>5 INTEREST EXPENSE</b>		
Customers' deposits	3,396,449,606	2,357,139,743
Deposits from other banks	4,562,706	233,993
Others	36,762,799	22,357,404
	<b>3,437,775,111</b>	<b>2,379,731,140</b>
<b>6 NON INTEREST INCOME</b>		
Commission	2,970,327,028	2,160,376,656
Service and transaction fees	1,083,891,941	783,840,916
Rental income	17,948,327	12,009,939
Write back of creditors' accounts	9,742,226	12,150,938
Collection from provision held	8,360,857	6,974,273
Gain on disposal of property, plant and equipment	6,924,904	3,422,688
Dividend income	1,309,139	15,109,223
Other income	544,582,135	187,510,737
	<b>4,643,086,557</b>	<b>3,181,395,370</b>
<b>7 NON INTEREST EXPENSES</b>		
Salaries and employee benefits	2,578,186,630	1,333,710,459
Depreciation	260,567,058	261,069,939
Office rent	174,428,754	125,923,667
Service charges	111,028,786	42,917,179
Stationery and office supplies	108,843,538	82,242,944
Advertising and publicity	72,730,132	49,763,469
Postage and telephone	67,861,633	54,090,409
Electronic data processing	57,241,697	8,036,956
Repairs and maintenance	35,426,811	31,815,145
Travel	34,798,458	25,899,725
Insurance	29,731,164	23,252,643
Motor vehicle running	20,635,496	16,007,730
Legal and consultancy fees	17,453,593	11,695,921
Water and electricity	14,968,619	13,975,465
Land and building taxes	1,384,677	1,288,086
Audit fee	995,903	1,084,574
Board fees	381,490	401,000
Loan and advance written off	346,125	-
Service charges for bank guarantees	-	192,746
Other expenses	285,151,045	202,432,641
	<b>3,872,161,609</b>	<b>2,285,800,698</b>

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>8 TAXATION</b>		
<b>(a) Profit and loss account - Income tax expense</b>		
Current taxation based on the adjusted profit for the year at 30%	3,072,246,036	2,705,156,940
In respect of prior years	-	(644,438)
Deferred tax in respect of the current year	(12,932,818)	(9,215,911)
	<b>3,059,313,218</b>	<b>2,695,296,591</b>
<b>(b) Tax expense computation</b>		
Net profit before taxation	9,949,012,548	8,561,383,036
Add: Disallowed expenses		
Provision for doubtful debts	538,043,302	500,000,000
Depreciation	253,032,875	258,334,566
Amortization	40,025,483	36,462,183
Donation	69,095	-
Entertainment	6,068,416	1,431,902
	837,239,171	796,228,651
	10,786,251,719	9,357,611,687
Less: Allowed expenses		
Depreciation	(230,282,323)	(246,194,314)
Amortization	(16,010,193)	(13,790,632)
	(246,292,516)	(259,984,946)
	10,539,959,203	9,097,626,741
Less: Income not to be included in taxable profit		
Income taxed at source or exempt	(219,127,344)	(65,054,201)
Gain on disposal of property, plant and equipment	(6,924,905)	(3,422,688)
Bad debt recovered	(8,360,857)	(6,974,273)
	(234,413,106)	(75,451,162)
<b>Taxable profit</b>	<b>10,305,546,097</b>	<b>9,022,175,579</b>
<b>Income tax at 30%</b>	<b>3,091,663,829</b>	<b>2,706,652,674</b>
Effect of income tax at 20% (2012 - 35%)	(19,417,792)	(1,294,910)
<b>Current tax payable</b>	<b>3,072,246,037</b>	<b>2,705,357,764</b>
Deferred tax	(12,932,819)	(9,416,735)
<b>Tax expense</b>	<b>3,059,313,218</b>	<b>2,695,941,029</b>



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>8 TAXATION (Continued)</b>		
<b>(c) Reconciliation of tax expense to the expected tax based on accounting profit</b>		
Net profit before taxation	9,949,012,548	8,561,383,036
Tax at the applicable rate of 30%	2,984,703,764	2,568,414,911
Tax effect of expenses not deductible for tax purposes	251,171,752	238,868,595
Tax effect of allowed expenses	(73,887,755)	(77,995,484)
Tax effect of income taxed at source or exempt	(70,323,932)	(22,635,349)
Tax effect of income taxed at a different rate	(19,417,793)	(1,294,910)
<b>Current tax payable</b>	<b>3,072,246,036</b>	<b>2,705,357,764</b>
Deferred tax	(12,932,818)	(9,416,735)
<b>Tax expense</b>	<b>3,059,313,218</b>	<b>2,695,941,029</b>
<b>(d) Balance sheet - Tax payable</b>		
At the beginning of the year	2,702,027,511	2,482,673,419
Paid during the year	(2,720,284,648)	(2,486,003,672)
Current year tax payable	3,072,246,038	2,705,357,764
	<b>3,053,988,901</b>	<b>2,702,027,511</b>

**(e) Current tax rate**

The current tax rate in Ethiopia is 30%; in South Sudan 20%.

**(f) Tax assessments and audits**

No comprehensive audit by the tax authority has been performed.

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>9 CASH AND BANK BALANCES</b>		
Cash on hand	3,160,729,502	2,582,346,568
Cash reserve with National Bank of Ethiopia	9,918,459,343	8,188,379,900
Payment and settlement account		
with National Bank of Ethiopia	1,092,123,685	6,067,315,151
with Central Bank of South Sudan	985,252,827	655,527,740
	<b>15,156,565,357</b>	<b>17,493,569,359</b>

The cash reserve is non-interest earning and is based on the value of deposits as adjusted for National Bank of Ethiopia requirements. At 30 June 2014, the cash reserve requirement was 5% (2013-5%) of the eligible deposits. These funds are not available to finance the Bank's day-to-day operations.

The special deposit account bears interest at the rate of 3% per annum and matures in March 2016.

**10 TREASURY BILLS**

365-day treasury bills maturing in October and November 2015.

**11 GOVERNMENT SECURITIES**

Government bonds bearing interest at 2% and 5% per annum and interest free bonds

	2014 Ethiopian Birr	2013 Ethiopian Birr
Maturing within 90 days	388,970,446	527,313,602
Maturing after 90 days and within one year	5,810,247	434,479,893
Maturing after one year	1,240,760,455	1,432,480,302
	<b>1,635,541,148</b>	<b>2,394,273,797</b>
Interest free	950,621,033	1,445,021,481
Bearing interest at the rate of 2%	387,811,406	528,167,472
Bearing interest at the rate of 5%	297,108,709	421,084,844
	<b>1,635,541,148</b>	<b>2,394,273,797</b>

**12 COUPON BONDS**

Non-negotiable unsecured bonds, bearing interest at the rate of 6% per annum, and repayable over a period of 10 years from date of issue.

	2014 Ethiopian Birr	2013 Ethiopian Birr
Maturing within one year	5,905,162,309	78,870,605
Maturing after one year	11,831,922,565	14,152,854,245
	<b>17,737,084,874</b>	<b>14,231,724,850</b>



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13 CORPORATE BONDS	2014 Ethiopian Birr	2013 Ethiopian Birr
Ethiopian Electric Power Bonds bearing interest at the savings deposit rate plus 1% per annum and repayable in fourteen semi-annual instalments starting August 2016.	65,200,000,000	64,000,000,000
Ethiopian Electric Utility Bonds bearing interest at the savings deposit rate plus 1% per annum and repayable in fourteen semi-annual instalments starting August 2016.	21,900,000,000	-
Ethiopian Railway Corporation Bonds bearing interest at the savings deposit rate plus 1% per annum and repayable in fourteen semi annual instalments starting November 2016.	5,300,000,000	1,100,000,000
	92,400,000,000	65,100,000,000

14 PLACEMENTS WITH OTHER BANKS	2014 Ethiopian Birr	2013 Ethiopian Birr
Due within 90 days	4,691,721,526	6,185,931,105
Due over 90 days	12,552,316,087	11,818,724,185
	17,244,037,613	18,004,655,290

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15 LOANS AND ADVANCES TO CUSTOMERS	2014 Ethiopian Birr	2013 Ethiopian Birr
Term and merchandise loans	76,781,496,048	60,454,903,286
Overdrafts	4,445,426,700	3,773,651,243
Advances on import and export bills	8,050,117,639	5,497,627,026
	89,277,040,387	69,726,181,555
Less: Provision for impairment losses	2,403,386,933	1,869,805,130
	86,873,653,454	67,856,376,425
Repayable		
on demand	13,488,989,833	12,065,938,652
within one year	9,579,480,438	9,062,185,289
within one to five years	6,781,916,809	20,675,530,350
within periods exceeding five years	57,023,266,374	26,052,722,134
	86,873,653,454	67,856,376,425
The movements in the provision for impairment losses		
Balance at 30 June 2013	1,869,805,130	1,374,111,936
Written off during the year	(4,174,962)	(4,306,806)
	1,865,630,168	1,369,805,130
Additional provision made during the year	537,756,765	500,000,000
	2,403,386,933	1,869,805,130
Loans and advances by borrowers		
Manufacturing	44,281,207,211	30,514,892,112
Foreign trade	17,792,572,786	15,479,224,454
Agriculture	12,268,848,964	11,941,385,791
Personal	5,819,063,387	3,362,628,985
Domestic trade and services	4,659,485,854	4,038,639,693
Building and construction	4,455,862,185	4,389,410,520
	89,277,040,387	69,726,181,555



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16 OTHER INVESTMENTS	Proportion of ownership interest and Voting power	2014 Ethiopian Birr	2013 Ethiopian Birr
Sudanese consortium (SSP 5,000,000)	12.20%	33,176,007	31,592,366
Ethswitch Share Company (5,030 shares of Birr 1,000 each)	6.25%	5,030,000	5,030,000
African Export Import Bank (104 shares of USD 10,000 each)	0.08%	4,245,531	3,156,301
S.W.I.F.T. SCRL (12 shares of EURO 125 each)	0.23%	244,114	244,114
Gelately Hankey and Company (8,625 shares of Birr 10 each)	6.82%	85,937	85,937
		<b>42,781,589</b>	<b>40,108,718</b>
<b>17 OTHER ASSETS</b>			
Interest receivable		3,232,781,248	3,323,613,003
Foreign receivables		1,244,148,406	1,469,962,770
Ministry of Finance and Economic Development		1,206,841,999	1,183,178,430
Stationery and other supplies		526,020,243	276,138,627
Prepaid office rent		504,448,521	294,230,266
Acquired properties		153,350,417	123,011,215
IT expansion project		151,165,565	110,491,004
Other receivables		281,366,035	572,016,217
		7,300,122,434	7,352,641,532
Less: Provision for doubtful debts		204,933,949	205,142,434
		<b>7,095,188,485</b>	<b>7,147,499,098</b>

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18 PROPERTY AND EQUIPMENT	Balance at 30 June 2013 ETB	Additions ETB	Transfer Disposals ETB	Balance at 30 June 2014 ETB
<b>COST</b>				
Buildings	411,692,850	28,565,640	13,054,772	453,313,262
Computers and software	418,985,212	182,104,137	(28,402,027)	572,687,322
Fixtures, fittings and equipment	410,456,179	290,610,495	(56,704,314)	644,362,360
Motor vehicles	336,048,543	124,056,557	(5,923,323)	454,181,777
Work in progress	343,875,268	256,823,217	(15,658,214)	585,040,271
	<b>1,921,058,052</b>	<b>882,160,046</b>	<b>(93,633,106)</b>	<b>2,709,584,992</b>
<b>DEPRECIATION</b>				
Buildings	192,388,024	24,458,295	-	216,846,319
Computers and software	186,002,142	91,669,806	(28,115,170)	249,556,778
Fixtures, fittings and equipment	240,252,806	85,517,397	(58,976,237)	266,793,966
Motor vehicles	248,165,606	62,647,612	(5,616,170)	305,197,048
	<b>866,808,578</b>	<b>264,293,110</b>	<b>(92,707,577)</b>	<b>1,038,394,111</b>
<b>NET BOOK VALUE</b>	<b>1,054,249,474</b>			<b>1,671,190,881</b>
<b>19 INTANGIBLE ASSETS</b>				
<b>COST</b>				
Core Banking Software			111,342,473	
Card Banking Software			16,862,605	
Infrastructure and IT Security Software			32,658,062	
Smart Banking Software			3,195,582	
			164,058,722	
<b>AMORTIZATION</b>			76,487,666	
			<b>87,571,056</b>	



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20 LEASEHOLD LAND	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>COST</b>		
Balance at 30 June 2013	92,366,046	88,625,701
Addition during the year	-	3,740,345
	92,366,046	92,366,046
<b>AMORTIZATION</b>		
Balance at 30 June 2013	3,955,124	2,146,245
For the year	1,834,853	1,808,879
At 30 June 2014	5,789,977	3,955,124
<b>NET BOOK VALUE</b>	<b>86,576,069</b>	<b>88,410,922</b>

The Group has leased land in Addis Ababa for 50 and 60 years. A leasehold right may be transferred or used as collateral or capital contribution to the extent of the lease amount already paid.

21 CUSTOMERS' DEPOSITS	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>Payable on demand</b>		
Local and Central Government	39,122,287,673	38,889,949,100
Private sector and retail customers	36,253,764,930	29,506,072,065
Public enterprises and agencies	26,723,397,813	23,393,902,535
	<b>102,099,450,416</b>	<b>91,789,923,700</b>
<b>Savings deposits</b>		
Private sector and retail customers	78,981,408,363	51,805,840,796
Public enterprises and agencies	2,212,572,112	1,601,268,643
	<b>81,193,980,475</b>	<b>53,407,109,439</b>
<b>Term deposits</b>		
Public enterprises and agencies	8,924,472,428	8,078,330,263
Private sector and retail customers	746,571,040	711,326,221
Local Government	-	610,546
	<b>9,671,043,468</b>	<b>8,790,267,030</b>
<b>Interest Free Banking</b>		
All sectors	191,132,676	-
	<b>193,155,607,035</b>	<b>153,987,300,169</b>

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22 DIVIDEND	2014 Ethiopian Birr	2013 Ethiopian Birr
Balance at 30 June 2013	4,364,426,873	4,064,564,723
Current appropriation	5,013,376,954	4,364,426,873
	9,377,803,827	8,428,991,596
Less: Payment	-	4,064,564,723
	<b>9,377,803,827</b>	<b>4,364,426,873</b>

### 23 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted rate, currently at 30%. The deferred tax liability at year end is attributable to the difference between the tax basis of property, plant and equipment and its carrying value for financial reporting purposes.

Movement on the deferred tax account is as follows

At 7 July 2013	18,556,448	27,772,359
Credit to profit or loss	(12,932,818)	[9,215,911]
	<b>5,623,630</b>	<b>18,556,448</b>
<b>24 OTHER LIABILITIES</b>		
National Bank of Ethiopia	12,923,745,220	10,457,622,857
"Margin accounts and deposits for guarantees"	6,786,916,052	5,058,388,485
"CPO's, telegraphic transfers and money transfers"	2,476,244,350	2,604,818,018
Inter-branch clearing	1,746,026,909	4,015,088,397
Blocked accounts	475,217,077	1,013,773,709
Accrued leave pay	181,574,459	93,459,501
Other taxes	95,201,159	71,050,483
Pension contributions	17,466,321	8,230,540
Uncleared foreign effects	8,525,920	2,980,512
Miscellaneous	1,794,588,623	1,345,700,950
	<b>26,505,506,090</b>	<b>24,671,113,452</b>



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25 **CAPITAL**

The Bank is wholly owned by the Government of the Federal Democratic Republic of Ethiopia. There are no shares and no par value.

26 **LEGAL RESERVE**

The legal reserve is a statutory reserve to which not less than 25% of the net profit shall be transferred each year until such reserve equals the capital of the Bank and thereafter 10% of the net profit shall be transferred each year.

27 **RETAINED EARNINGS**

The balance of retained earnings represents the amount available for distribution to the shareholder of the Bank.

28 **FOREIGN CURRENCY TRANSLATION RESERVE**

Exchange differences relating to the translation of the results and net assets of the Group's foreign operation from its functional currency to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. The reserve is reclassified to profit or loss on the disposal of the foreign operation.

29 **OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS**

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end the contingencies were as follows

	2014 Ethiopian Birr	2013 Ethiopian Birr
Letters of credit and acceptances	2,999,381,618	3,297,301,988
Guarantees and performance bonds	650,335,701	190,367,171
	<b>3,649,717,319</b>	<b>3,487,669,159</b>

**Nature of contingent liabilities**

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by the customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Guarantees are generally written by a bank to support the performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers default.

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 **TRUST FUNDS**

Assets held in trust by the Bank and its subsidiaries are as follow

	2014 Ethiopian Birr	2013 Ethiopian Birr
Cash held on behalf of National Bank of Ethiopia	28,224,835,911	10,345,542,646
Trust Funds	33,903,815	30,966,216

The Bank provides custodial services to the National Bank of Ethiopia at various branches across the country. The Bank and its subsidiaries are involved in trust activities in which they hold and invest assets on behalf of various institutions, donor-sponsored projects and pension funds.

31 **RELATED PARTY TRANSACTIONS**

A party is related to an entity if, inter alia,

(i) directly, or indirectly through one or more intermediaries, the party

a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

b) has an interest in the entity that gives it significant influence over the entity; or

c) has joint control over the entity;

Related parties do not include the government, government departments or agencies.

i) Included in loans and advances is a total of Birr 961,837,689 (2013 - Birr 520,181,770) advanced to employees. Included in this figure are loans to employees amounting to Birr 267,312,613 that do not bear interest.



COMMERCIAL BANK OF ETHIOPIA  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**32. MATURITIES OF ASSETS AND LIABILITIES - LIQUIDITY RISK**

Assets and liabilities are analysed below into relevant maturity groupings based on the remaining period at 30 June 2014 to the contractual maturity date.

	On Demand ETB'000	Due with in 3 months ETB'000	Due between 3 and 12 months ETB'000	Due between 1 and 5 Years ETB'000	Due after 5 Years ETB'000	Total ETB'000
<b>Assets</b>						
Cash and bank balances	5,238,106				9,918,459	15,156,565
Government securities	115,209	272,207		121,912	1,118,348	1,627,676
Placements with other banks	17,224,038					17,224,038
Loans and advances to customers	13,543,603	8,817,676	677,614	6,958,580	56,876,181	86,873,654
Investment in associates					1,250	1,250
Other investments		2,170,443	6,206,985	53,907,171	48,350,264	110,634,863
Other assets		444,544	8,237,890	153,350	2,049,028	10,884,812
Property, plant and equipment					1,550,807	1,550,807
Intangible assets and goodwill					87,571	87,571
Leasehold land					86,576	86,576
<b>Total assets</b>	<b>36,120,956</b>	<b>11,704,870</b>	<b>15,122,489</b>	<b>61,141,013</b>	<b>120,038,484</b>	<b>244,127,812</b>
<b>Liabilities</b>						
Deposits due to other banks	896,258					896,258
Customers' deposits	101,453,040	81,151,135	10,551,432			193,155,607
Current tax liabilities		3,053,989				3,053,989
Other liabilities		35,457,978	471,699			35,929,677
<b>Total liabilities</b>	<b>102,349,298</b>	<b>119,663,102</b>	<b>11,023,131</b>	-	-	<b>233,035,531</b>
<b>"Net liquidity gap as at 30 June 2014"</b>	<b>(66,228,342)</b>	<b>(107,958,232)</b>	<b>4,099,358</b>	<b>61,141,013</b>	<b>120,038,484</b>	<b>11,092,281</b>
<b>"Net liquidity gap as at 30 June 2013"</b>	<b>(51,958,769)</b>	<b>(67,699,795)</b>	<b>(9,706,907)</b>	<b>68,881,324</b>	<b>69,683,540</b>	<b>9,199,393</b>

COMMERCIAL BANK OF ETHIOPIA  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**33. MATURITIES OF ASSETS AND LIABILITIES - INTEREST RISK**

The exposure to interest rate risks groups assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing and maturity.

	Effective Interest Rate %	On Demand ETB'000	Due with in 3 months Birr'000	Due between 3 and 12 months ETB'000	Due between 1 and 5 Years ETB'000	Due after 5 Years ETB'000	Non Interest bearing ETB'000	Total ETB'000
<b>Assets</b>								
Cash and bank balances							15,156,565	15,156,565
Government securities	2.72			272,207			1,355,469	1,627,676
Placements with other banks	0.70						17,224,038	17,224,038
Loans to Micro-finance Institutions	5.40				388,142			388,142
Loans and advances to customers	7.84	13,543,603	8,817,676	677,614	6,958,580	56,876,181	-	86,873,654
Other investments	5.40		2,170,443	6,206,985	53,907,171	47,862,092		110,146,691
Other assets							10,986,092	10,986,092
Property, plant and equipment							1,550,807	1,550,807
Intangible assets and goodwill							87,571	87,571
Leasehold land							86,576	86,576
<b>Total assets</b>		<b>13,543,603</b>	<b>10,988,119</b>	<b>7,156,806</b>	<b>61,253,893</b>	<b>104,738,273</b>	<b>46,447,118</b>	<b>244,127,812</b>
<b>Liabilities</b>								
Deposits due to other banks								
Customers' deposits	4.74		82,031,524	9,671,043			896,258	193,155,607
Current tax liabilities							3,053,989	3,053,989
Other liabilities							35,929,677	35,929,677
<b>Total liabilities</b>		-	<b>82,031,524</b>	<b>9,671,043</b>	-	-	<b>141,332,964</b>	<b>233,035,531</b>
<b>"On balance sheet interest sensitivity gap" at 30 June 2014</b>		<b>13,543,603</b>	<b>(71,043,405)</b>	<b>(2,514,237)</b>	<b>61,253,893</b>	<b>104,738,273</b>	<b>(94,885,846)</b>	<b>11,092,281</b>
<b>at 30 June 2013</b>		<b>(67,828,003)</b>	<b>(42,490,578)</b>	<b>(4,924,657)</b>	<b>63,883,388</b>	<b>65,518,749</b>	<b>(4,959,506)</b>	<b>9,199,393</b>



COMMERCIAL BANK OF ETHIOPIA  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**34. FOREIGN CURRENCY RISK**

Currencies to which the Group is exposed at 30 June 2014 are analysed below.

	USD Ethiopian Birr	GBP Ethiopian Birr	EURO Ethiopian Birr	OTHER Ethiopian Year	TOTAL Ethiopian Birr
<b>Assets</b>					
Cash and bank balances	200,735,812	10,311,394	33,804,856	179,358,414	424,210,476
Placements with other banks	7,141,736,852	(160,350,067)	(44,626,259)	154,372,811	7,091,133,337
Other assets	998,670,483	345,242	57,370,435	412,365	1,056,798,525
<b>Total foreign currency assets</b>	<b>8,341,143,147</b>	<b>(149,693,431)</b>	<b>46,549,032</b>	<b>334,143,590</b>	<b>8,572,142,338</b>
<b>Liabilities</b>					
Deposits due to other banks	129,484,491	21,927	1,354,300	-	130,860,718
Customers' deposits	11,836,619,903	107,001,433	730,434,266	62,725	12,674,118,327
Other liabilities	521,331,103	49,059	16,359,519	-	537,739,681
<b>Total foreign currency liabilities</b>	<b>12,487,435,497</b>	<b>107,072,419</b>	<b>748,148,085</b>	<b>62,725</b>	<b>13,342,718,726</b>
Off balance sheet net notional position	(22,213,140,232)	(119,990,842)	(6,254,870,595)	(417,646,889)	(29,005,648,558)
<b>Foreign currency exposure at 30 June 2014</b>	<b>(26,359,432,582)</b>	<b>(376,756,692)</b>	<b>(6,956,469,648)</b>	<b>(83,566,024)</b>	<b>(33,776,224,946)</b>
<b>As at 30 June 2013</b>					
Total foreign currency assets	12,356,339,763	25,354,055	292,073,290	293,485,371	12,967,252,479
Total foreign currency liabilities	(13,027,153,354)	(86,591,041)	(1,425,472,393)	(60,414)	(14,539,277,202)
Off balance sheet net notional position	(17,085,953,287)	132,802,804	(3,725,989,050)	(444,281,141)	(21,123,420,674)
<b>Foreign currency exposure at 30 June 2013</b>	<b>(17,756,766,878)</b>	<b>71,565,818</b>	<b>(4,859,388,153)</b>	<b>(150,856,184)</b>	<b>(22,695,445,397)</b>

**35 RISK MANAGEMENT DISCLOSURES**

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

**A) Risks**

**i) Credit risk**

The Group's credit exposure at the balance sheet date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet.

The risk that counter-parties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counter-parties of good credit standing, enters into master agreements whenever possible, and, when appropriate, obtains collateral.

The Group also monitors concentrations of credit risk by industry and type of customer in relation to the Group loans and advances to customers by carrying a balanced portfolio. The Group has a significant exposure to individual customers or counterparties.

**ii) Liquidity risk**

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised mainly from deposits and capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy.

In addition the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 **RISK MANAGEMENT DISCLOSURES** (Continued)

iii) Market risk

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Group's business strategies. The Group does not have any significant interest rate risk exposures.

Currency risk

The Group is exposed to currency risk through transactions in foreign currencies. The Group's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

B) Risk measurement and control

Interest rate, currency, credit, liquidity and other risks are actively managed by an independent risk control group to ensure compliance with the Group's risk limits. The Group's risk limits are assessed regularly to ensure their appropriateness given the Group's objectives and strategies and current market conditions. A variety of techniques are used by the Group in measuring the risks inherent in its trading and non-trading positions.

COMMERCIAL BANK OF ETHIOPIA  
BANK PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
INTEREST INCOME	36	11,996,587,964	9,539,040,881
INTEREST EXPENSE	37	(3,436,204,366)	(2,376,064,326)
NET INTEREST INCOME		8,560,383,598	7,162,976,555
IMPAIRMENT LOSSES ON			
LOANS AND ADVANCES		(537,756,765)	(500,000,000)
ACQUIRED PROPERTY		-	(541,859)
		(537,756,765)	(500,541,859)
NET INTEREST AFTER IMPAIRMENT LOSSES		8,022,626,833	6,662,434,696
GAIN ON FOREIGN CURRENCY TRANSACTIONS		1,046,019,910	987,736,808
NON INTEREST INCOME	38	4,152,808,278	3,039,074,528
NON INTEREST EXPENSES	39	(3,535,400,187)	(2,192,064,198)
		1,663,428,001	1,834,747,138
<b>PROFIT BEFORE TAX</b>		<b>9,686,054,834</b>	<b>8,497,181,834</b>
Income tax expense	40 (a)	(3,001,552,230)	(2,677,946,003)
<b>PROFIT FOR THE YEAR</b>		<b>6,684,502,604</b>	<b>5,819,235,831</b>



COMMERCIAL BANK OF ETHIOPIA  
BANK BALANCE SHEET  
AS AT 30 JUNE 2014

	Notes	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>ASSETS</b>			
Cash and bank balances	41	14,076,630,288	16,748,776,275
Government securities	42	1,627,676,387	2,393,773,797
Coupon bonds	43	17,737,084,874	14,231,724,850
Corporate bonds	44	92,400,000,000	65,100,000,000
Placements with other banks	45	17,098,003,074	17,925,727,167
Loans to other financial Institutions		388,141,899	508,519,605
Loans and advances to customers	46	86,873,653,454	67,856,271,052
Other advances		3,580,799,339	1,309,877,153
Investments in subsidiaries	47	437,619,017	241,289,055
Other investments	48	9,605,582	8,516,353
Other assets	49	6,867,644,521	7,042,535,578
Intangible assets	50	87,571,056	101,444,141
Property, plant and equipment	51	1,550,806,777	980,879,675
Leasehold land	20	86,576,069	88,410,922
		<b>242,821,812,337</b>	<b>194,537,745,623</b>
<b>LIABILITIES</b>			
Deposits due to other banks		925,723,857	497,349,135
Customers' deposits	52	192,275,218,594	153,241,830,760
Current tax liabilities	40 (d)	3,014,760,482	2,687,362,738
Dividend	22	9,377,803,827	4,364,426,873
Deferred tax liability	53	4,936,842	18,145,094
Finance lease obligations		40,742,968	49,423,906
Other liabilities	54	26,466,265,466	24,633,972,466
		<b>232,105,452,036</b>	<b>185,492,510,972</b>
<b>NET ASSETS</b>		<b>10,716,360,301</b>	<b>9,045,234,651</b>
<b>CAPITAL AND RESERVES</b>			
Capital	25	8,082,416,551	8,082,416,551
Legal reserve	26	2,633,943,750	962,818,100
		<b>10,716,360,301</b>	<b>9,045,234,651</b>

COMMERCIAL BANK OF ETHIOPIA  
BANK STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014

	Capital Ethiopian Birr	Legal Reserve Ethiopian Birr	Retained Earnings Ethiopian Birr	Total Equity Ethiopian Birr
<b>Balance at 30 June 2012</b>	<b>4,000,000,000</b>	<b>3,586,183,866</b>	<b>4,241,827</b>	<b>7,590,425,693</b>
Profit for the year	-	-	5,819,235,831	5,819,235,832
Transfer to legal reserve	-	1,459,050,785	(1,459,050,785)	-
Transfer to capital	4,082,416,551	(4,082,416,551)	-	-
Dividend	-	-	(4,364,426,873)	(4,364,426,874)
<b>Balance at 30 June 2013</b>	<b>8,082,416,551</b>	<b>962,818,100</b>	<b>-</b>	<b>9,045,234,651</b>
Profit for the year			6,684,502,604	6,684,502,604
Transfer to legal reserve		1,671,125,650	(1,671,125,650)	-
Dividend			(5,013,376,954)	(5,013,376,954)
<b>Balance at 30 June 2014</b>	<b>8,082,416,551</b>	<b>2,633,943,750</b>	<b>-</b>	<b>10,716,360,301</b>



COMMERCIAL BANK OF ETHIOPIA  
BANK STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	6,684,502,604	5,819,235,831
Adjustments for		
Income tax expense recognized in profit or loss	3,001,552,230	2,677,946,003
Investment income recognized in profit or loss	(1,309,139)	(29,700,223)
Impairment of loans and advances	529,682,444	491,703,626
Depreciation and amortization of non-current assets	288,341,419	296,605,629
Gain on disposal of property, plant and equipment	(6,924,904)	(3,422,687)
Creditors' accounts written off in profit or loss	(9,742,226)	-
	10,486,102,428	9,252,368,179
Movements in working capital		
Increase in coupon bonds	(3,505,360,024)	(1,079,343,109)
Increase in corporate bonds	(27,300,000,000)	(16,200,000,000)
Increase in loans and advances	(21,697,817,810)	(9,230,098,925)
Decrease in other assets	175,513,677	212,866,430
Increase (decrease) in cash reserve with National Bank	(1,730,000,000)	2,053,790,000
Increase in customers' deposits	39,033,387,834	37,209,553,897
Increase in other liabilities	1,842,035,226	265,267,441
<b>Cash (used in) generated from operations</b>	<b>(2,696,138,669)</b>	<b>22,484,403,913</b>
Income taxes paid	(2,687,362,738)	(2,469,833,255)
<b>Net cash (used in) generated by operating activities</b>	<b>(5,383,501,407)</b>	<b>20,014,570,658</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	1,309,139	15,109,223
Payments for property, plant and equipment	(817,129,475)	(396,172,259)
Proceeds from disposal of property, plant and equipment	7,232,058	3,422,715
Proceeds from redemption of government securities	1,153,513,342	53,258,821
Payments for deferred expenditure	(26,152,398)	(137,906,324)
Payment for investment	(197,419,191)	-
Payment for leasehold land	(8,680,938)	(3,740,345)
Payment for guarantee deposit	(565,184,463)	(6,286,740,315)
<b>Net cash used in investing activities</b>	<b>(452,511,926)</b>	<b>(6,752,768,484)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(4,064,564,723)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(4,064,564,723)</b>
<b>(decrease) Increase in cash and cash equivalents</b>	<b>(5,836,013,333)</b>	<b>9,197,237,451</b>
Cash and cash equivalents at the beginning of the year	14,170,050,222	4,972,812,771
<b>Cash and cash equivalents at the end of the year</b>	<b>8,334,036,889</b>	<b>14,170,050,222</b>
<b>Cash and cash equivalents comprise</b>		
Cash in hand	3,066,126,703	2,493,081,224
Balances with National Bank of Ethiopia	1,092,123,685	6,067,315,151
Placements with other banks	4,714,094,426	6,107,002,982
Government Securities	387,415,932	-
Deposits due to other banks	(925,723,857)	(497,349,135)
	<b>8,334,036,889</b>	<b>14,170,050,222</b>

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE BANK'S FINANCIAL STATEMENTS

Reference is made to the notes to the consolidated financial statements unless otherwise stated.

	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>36 INTEREST INCOME</b>		
Loans and advances	6,616,249,482	5,330,441,908
Corporate bonds	4,714,335,929	3,162,282,536
Coupon bonds	451,251,903	940,427,561
Placements with other banks	184,323,160	66,773,789
Government bonds	30,427,490	39,115,087
	<b>11,996,587,964</b>	<b>9,539,040,881</b>
<b>37 INTEREST EXPENSE</b>		
Customers' deposits	3,396,449,606	2,353,472,929
Deposits from other banks	4,562,706	233,993
Others	35,192,054	22,357,404
	<b>3,436,204,366</b>	<b>2,376,064,326</b>
<b>38 NON INTEREST INCOME</b>		
Commission	2,788,927,113	2,121,946,727
Service and transaction fees	1,065,669,607	684,283,421
Rental income	17,948,327	12,009,939
Write back of creditors' accounts	9,742,226	12,150,938
Collection from provision held	8,360,857	6,974,273
Gain on disposal of property, plant and equipment	6,924,904	3,422,688
Dividend income	1,309,139	15,109,223
Other income	253,926,105	183,177,319
	<b>4,152,808,278</b>	<b>3,039,074,528</b>
<b>39 NON INTEREST EXPENSES</b>		
Salaries and employee benefits	2,405,187,978	1,293,334,435
Depreciation	246,481,085	258,334,566
Office rent	170,897,966	119,055,866
Stationery and office supplies	105,614,886	79,794,751
Advertising and publicity	72,026,081	48,881,421
Postage and telephone	67,657,834	53,208,212
Electronic data processing	56,455,998	7,280,934
Repairs and maintenance	34,912,190	30,279,134
Travel	32,696,059	24,625,939
Service charges	28,534,998	22,822,621
Insurance	27,087,030	19,988,329
Motor vehicle running	19,010,511	14,928,628
Legal and consultancy fees	17,316,379	11,373,278
Water and electricity	14,530,553	13,526,897
Land and building taxes	1,384,677	1,288,086
Audit fee	460,000	460,000
Loans and advances written off	286,536	-
Board fees	289,250	303,000
Other income	234,570,176	192,578,101
	<b>3,535,400,187</b>	<b>2,192,064,198</b>



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE BANK'S FINANCIAL STATEMENTS (continued)

40 TAXATION	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>(a) Profit and loss account - Income tax expense</b>		
Current taxation based on the adjusted profit for the year at 30%	3,014,760,482	2,687,362,738
Deferred tax in respect of the current year	[13,208,252]	[9,416,735]
	<b>3,001,552,230</b>	<b>2,677,946,003</b>
<b>(b) Tax expense computation</b>		
Net profit before taxation	9,686,054,834	8,497,181,834
Add: Disallowed expenses		
Provision for doubtful debts write off	538,043,302	500,000,000
Depreciation	246,481,085	258,334,566
Amortization	40,025,483	36,462,183
Entertainment	5,496,611	1,208,429
	830,046,481	796,005,178
	10,516,101,315	9,293,187,012
Less: Allowed expenses		
Depreciation	[219,543,962]	[246,194,314]
Amortization	[16,010,193]	[13,790,632]
	[235,554,155]	[259,984,946]
	10,280,547,160	9,033,202,066
Less: Income not to be included in taxable profit		
Income taxed at source or exempt	[216,059,790]	[64,929,314]
Bad debt recovered	[8,360,857]	[3,422,688]
Gain on disposal of property, plant and equipment	[6,924,905]	[6,974,273]
	[231,345,552]	[75,326,275]
Taxable profit	<b>10,049,201,608</b>	<b>8,957,875,791</b>
<b>Current tax payable - Income tax at 30%</b>	<b>3,014,760,482</b>	<b>2,687,362,738</b>
Deferred tax	[13,208,252]	[9,416,735]
<b>Tax expense</b>	<b>3,001,552,230</b>	<b>2,677,946,003</b>
Current tax payable includes Birr 2,581,298 (2013 - Birr 767,163) in respect of tax on rental income.		

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE BANK'S FINANCIAL STATEMENTS (continued)

40 TAXATION (Continued)	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>(c) Reconciliation of tax expense to the expected tax based on accounting profit</b>		
Net profit before taxation	9,686,054,834	8,497,181,834
Tax at the applicable rate of 30%	2,905,816,450	2,549,154,550
Tax effect of expenses not deductible for tax purposes	249,013,944	238,801,555
Tax effect of allowed expenses	[70,666,247]	[77,995,484]
Tax effect of income taxed at source or exempt	[69,403,666]	[22,597,883]
<b>Current tax payable</b>	<b>3,014,760,482</b>	<b>2,687,362,738</b>
Deferred tax	[13,208,252]	[9,416,735]
<b>Tax expense</b>	<b>3,001,552,230</b>	<b>2,677,946,003</b>
<b>(d) Balance sheet - Tax payable</b>		
At the beginning of the year	2,687,362,738	2,469,833,255
Paid during the year	[2,687,362,738]	[2,469,833,255]
Current year tax payable	3,014,760,482	2,687,362,738
	<b>3,014,760,482</b>	<b>2,687,362,738</b>
<b>(e) Current tax rate</b>		
The current tax rate is 30%.		
<b>(f) Tax assessments and audits</b>		
No audit by the tax authority has been conducted.		



COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE BANK'S FINANCIAL STATEMENTS (continued)

49 OTHER ASSETS	2014 Ethiopian Birr	2013 Ethiopian Birr
Foreign receivables	1,244,148,406	1,469,962,771
Ministry of Finance and Economic Development	1,206,841,999	1,183,178,430
Interest receivable	3,236,622,245	3,321,298,755
Prepaid office rent	444,544,440	264,808,434
Stationery and other supplies	412,507,695	229,067,871
Acquired properties	153,350,417	123,011,215
IT expansion project	151,165,565	110,491,004
Other receivables	223,397,704	545,859,532
	<b>7,072,578,471</b>	<b>7,247,678,012</b>
Less: Provision for doubtful debts	204,933,950	205,142,434
	<b>6,867,644,521</b>	<b>7,042,535,578</b>

50 INTANGIBLE ASSETS	2014 Ethiopian Birr
<b>COST</b>	
Core Banking Software	111,342,473
Card Banking Software	16,862,606
Infrastructure and IT	32,658,062
Smart Banking Software	3,195,582
	164,058,723
<b>AMORTIZATION</b>	
Balance at 30 June 2013	36,462,183
For the year	40,025,484
	76,487,667
	<b>87,571,056</b>

51 PROPERTY AND EQUIPMENT	Balance at 30 June 2013 ETB	Additions ETB	Transfers Disposals ETB	Balance at 30 June 2014 ETB
<b>COST</b>				
Buildings	355,449,788	-	13,087,947	368,537,735
Computers and software	414,754,500	181,062,818	(28,276,011)	567,541,307
Fixtures, fittings and equipment	399,520,889	264,829,472	(56,632,118)	607,718,243
Motor vehicles	326,481,525	114,413,967	(5,923,323)	434,972,169
Work in progress	343,956,628	256,823,217	(15,658,214)	585,121,631
	<b>1,840,163,330</b>	<b>817,129,474</b>	<b>(93,401,719)</b>	<b>2,563,891,085</b>
<b>DEPRECIATION</b>				
Buildings	192,388,023	14,154,970	-	206,542,993
Computers and software	184,673,466	91,191,196	(28,088,023)	247,776,639
Fixtures, fittings and equipment	237,382,480	81,241,632	(58,976,237)	259,647,875
Motor vehicles	244,839,686	59,893,285	(5,616,170)	299,116,801
	<b>859,283,655</b>	<b>246,481,083</b>	<b>(92,680,430)</b>	<b>1,013,084,308</b>
<b>NET BOOK VALUE</b>	<b>980,879,675</b>			<b>1,550,806,777</b>

COMMERCIAL BANK OF ETHIOPIA  
NOTES TO THE BANK'S FINANCIAL STATEMENTS (continued)

52 CUSTOMERS' DEPOSITS	2014 Ethiopian Birr	2013 Ethiopian Birr
<b>Payable on demand</b>		
Local and Central Government	39,122,287,674	38,889,949,101
Private sector and retail customers	35,552,286,675	29,002,432,799
Public enterprises and agencies	26,723,397,813	23,393,902,535
	<b>101,397,972,162</b>	<b>91,286,284,435</b>
<b>Savings deposits</b>		
Private sector and retail customers	78,802,498,176	51,564,010,650
Public enterprises and agencies	2,212,572,112	1,601,268,644
	<b>81,015,070,288</b>	<b>53,165,279,294</b>
<b>Term deposits</b>		
Public enterprises and agencies	8,924,472,428	8,078,330,263
Private sector and retail customers	746,571,040	7,113,262,222
Local Government		610,546
	9,671,043,468	8,790,267,031
<b>Interest-free banking</b>		
All Sectors	191,132,676	-
	<b>192,275,218,594</b>	<b>153,241,830,760</b>

53 DEFERRED TAX LIABILITY

Difference in the tax base of property, plant and equipment and their value for accounting purposes.

54 OTHER LIABILITIES	2014 Ethiopian Birr	2013 Ethiopian Birr
National Bank of Ethiopia	12,923,745,220	10,457,622,858
Margin accounts and deposits for guarantees	6,744,340,108	5,042,884,507
Inter-branch clearing	1,746,026,909	4,015,088,397
CPO's, telegraphic transfers and money transfers	2,476,244,350	2,604,818,018
Blocked accounts	475,217,077	1,013,773,709
Accrued leave pay	168,035,628	93,459,501
Other taxes	87,750,995	69,772,588
Pension contributions	15,518,430	8,230,540
Miscellaneous	1,829,386,749	1,328,322,348
	<b>26,466,265,466</b>	<b>24,633,972,466</b>



**55 OTHER CONTINGENT LIABILITIES**

The Bank is defendant for a total amount of approximately Birr 6.9 million in respect of legal actions brought by different organizations and individuals, which are being contested by the Bank. It is not possible to assess the outcome of these cases.

**56 COMMITMENTS**

**CAPITAL COMMITMENTS**

The Group and Bank had capital commitments at 30 June 2014 of Birr 360,858,481 (2013 – Birr 360,858,481).

**OTHER COMMITMENT**

A further investment to increase the capital of the Bank's South Sudanese subsidiary is required under South Sudanese law. The requirement is an increase of USD 5,000,000 in each of the three years ending 31 December 2015, in order to raise the capital to a minimum of USD 30,000,000 by that date.

**57 INCORPORATION**

The Bank is incorporated in Ethiopia under Commercial Bank of Ethiopia Establishment Council of Ministers Regulations No. 202/1994 and is domiciled in Ethiopia.

**58 FUNCTIONAL AND PRESENTATION CURRENCY**

These financial statements are presented in Ethiopian Birr.

**59 EVENTS AFTER THE REPORTING PERIOD**

There are no significant events after the reporting period which should be reported in these financial statements.

**60 AUTHORIZATION**

The President of the Bank authorized the issue of these financial statements on 24 Nov 2015.

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Notes

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Commercial Bank of Ethiopia

**MOBILE BANKING**