

# 2014/15 ANNUAL REPORT



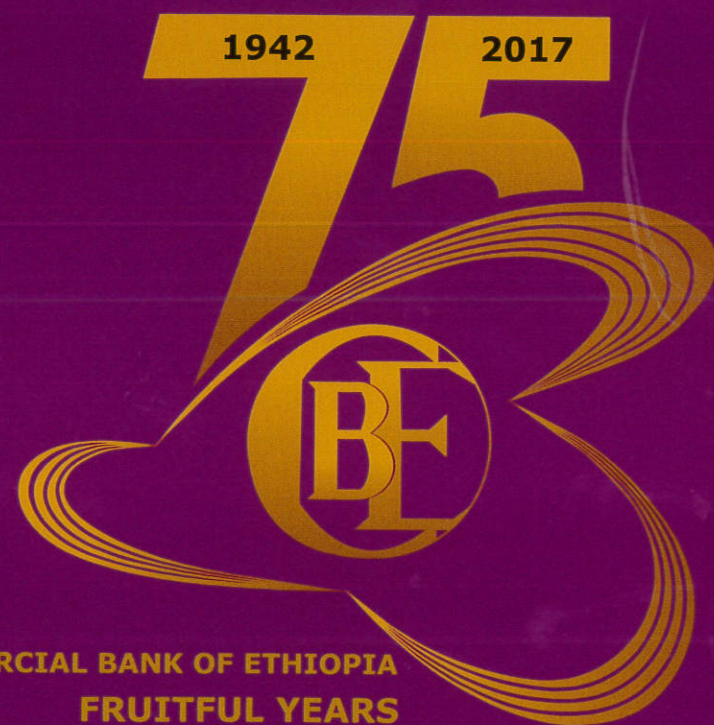
የኢትዮጵያ ንግድ ባንክ  
Commercial Bank of Ethiopia

Gambia Street, P.O. Box 255 Addis Ababa  
Tel: 251 11 551 50 04/251 11 122 87 55  
Fax: 251 11 551 45 22/251 11 122 89 66  
Toll free line: 951 SWIFT Code: CBEETHAA  
Website: [www.combanketh.et](http://www.combanketh.et) E-mail: [cbx@combanketh.et](mailto:cbx@combanketh.et)  
Facebook: [www.facebook.com/combanketh](http://www.facebook.com/combanketh)  
Twitter: [www.twitter.com/CBE](http://www.twitter.com/CBE)  
Youtube: [youtube.com/commercialbankofethiopia](http://youtube.com/commercialbankofethiopia)



የኢትዮጵያ ንግድ ባንክ  
Commercial Bank of Ethiopia





COMMERCIAL BANK OF ETHIOPIA  
FRUITFUL YEARS

## Contents

2	<b>Profile</b>
9	<b>Financial Highlights</b>
10	<b>Message from the President</b>
12	<b>Global and Domestic Economic Highlights</b>
12	Global Economy
13	Ethiopian Economy
14	<b>Operational Highlights</b>
14	Income Statement Analysis
16	Balance Sheet Analysis
16	Asset Structure
17	Outstanding Loans by Sector
17	Liabilities
18	Capital Adequacy
18	<b>International Banking</b>
19	Foreign Currency Earnings
19	<b>Other Developments</b>
19	Human Resources
20	Technology Deployment
20	Overall Business Development



# PROFILE

- ➔ Established in 1942.
- ➔ The first bank to introduce the Automated Teller Machine (ATM) to Ethiopia.
- ➔ Introduced Western Union Money Transfer Services to Ethiopia.
- ➔ Had 965 branches across the country by June 30, 2015.
- ➔ Plays a catalytic role in the economic growth of the country.
- ➔ Strong correspondent relationship with about 45 renowned foreign banks, and SWIFT bilateral arrangement with 770 others.
- ➔ Had about 10.6 million account holders as of June 30, 2015.
- ➔ Strong assets position of Birr 305.1 billion as of June 30, 2015.
- ➔ Combines wide capital base with 22,908 committed employees.

# VISION

To Become a World-Class Commercial Bank by 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

## Integrity

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

## 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.

## Teamwork and Collaboration

- ◀ We recognize the importance of teamwork for our success.
- ◀ We support one another and work co-operatively.

## Decentralization

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

## Value for Money

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

## 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.

## 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.

## Public Trust

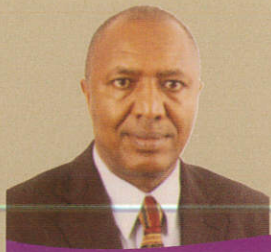
- ◀ We understand that the sustainability of our business depends on our ability to maintain and build confidence.

## 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.



# BOARD OF DIRECTORS



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



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



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



● **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



# PROCESS COUNCIL



**Ato Bekalu Zeleke**  
President



**Ato Abay Mehari**  
Vice President  
Credit Management



**Ato Mohammed Nuredin**  
Vice President  
Trade Services



**Ato Mulugeta Alemayehu**  
Vice President  
Customer Accounts and  
Transaction Services



**Woizero Melika Bedri**  
Vice President  
Information Systems



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



**Ato Atakelt Kidanemariam**  
Vice President  
Finance



**Woizero Meseret Asfaw**  
Vice President  
Facilities Management



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



**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)	2012/13	2013/14	2014/15
<b>Annual Operating Results</b>			
Total Income	13,727	17,797	23,213
Interest Income	9,539	11,997	16,769
Non-Interest Income	4,188	5,800	6,443
Total Expenses	5,166	7,848	10,509
Interest Expenses	2,380	3,438	4,884
Non-Interest Expenses	2,786	4,410	5,625
Profit Before Tax	8,561	9,949	12,703
Net Profit for the Year	5,866	6,890	8,770
<b>Balance Sheet Status</b>			
Total Assets	195,443	244,128	305,075
Outstanding Loans and Advances	149,006	200,980	266,181
Total Liabilities	186,244	233,036	291,754
Total Deposits	154,438	194,052	242,497
Capital and Reserve	9,199	11,092	13,321
<b>Non-financial Performance</b>			
Number of Branches	695	832	965
Number of Employees	15,007	18,524	22,908
<b>Profitability (%)</b>			
Net Interest Margin	4.7	4.3	4.5
Return on Assets	4.8	4.4	5.1
Return on Equity	101.2	98	132.6
<b>Capital Adequacy (%)</b>			
Capital Adequacy Ratio	13.3	12.9	13.2



# MESSAGE FROM THE PRESIDENT

*"Most importantly, the trust and loyalty we enjoyed from our beloved customers have been the major drivers behind our success."*



We at the Commercial Bank of Ethiopia are very happy to see that the stakeholders of the Bank are pleased with the consistent growth registered over the past consecutive years. In 2014/15, CBE earned 22.8 billion Birr total revenue and 12.7 billion Birr profit before tax. The profit has shown 31 percent increment from the past year.

The expansion of the country's GDP by 10.4 percent in the year, the conducive investment atmosphere and government policies have played parts for the success. However, price volatility of primary products in the international market challenged the Bank's foreign currency earning potential to some extent.

The year 2014/15 was the closing year of CBE's first five-year strategic plan and the beginning of its second (2015/16-2019/20) strategic plan. The Bank's financial position has shown a marked transformation during the first five years of the strategic plan. Total deposit increased by fourfold, reaching 242.5 billion Birr as compared to the level in 2010. This showed an annual average growth of 34 percent over the five successive years. Moreover, with an average annual growth rate of 25 percent, CBE's total asset stood at 305.1 billion Birr. It was also possible to inject close to 322 billion Birr to the economy in fresh loan and bond disbursement during the just concluded strategic period. Besides, though the Bank envisioned opening 100 branches per annum, it was able to open 133 branches in 2014/15 alone. The well-articulated resource mobilization strategy has helped CBE to dramatically increase its customer base; and as a result, the customer base which was 2.2 million during the base year of 2010 reached 10.5 million at the end of 2014/15.

As in the previous years, CBE has continued to lead the banking industry in introducing new products and availing technology-based banking services. The deployment of ATMs, POS terminals, Internet and Mobile Banking services has intensified the Bank's endeavor to achieve service excellence. This has required the Bank a lot in terms of finance and skilled manpower.

In a bid to further build its capacity, the Commercial Bank of Ethiopia inaugurated in 2014/15 a 12-story monumental building that serves as a Center of Excellence where robust human resource could be developed. The center will have huge contributions towards building leadership capability and operational skills of its employees.

To accommodate its rapid internal growth and address the subsequent office space challenge it has been facing, the Bank also laid down a cornerstone for a 53-story Headquarters in 2014/15. This edifice, together with the other medium size buildings CBE is constructing, will contribute toward boosting the image of the capital city as well.

Well aware of its nationwide socio-economic responsibilities, the Commercial Bank of Ethiopia has also been supporting the development priorities of the country by financing projects thought to bring about breakthrough in the economy. In addition, it supported organizations in areas of health, education, sports, arts and culture. As a result of these and other planned activities of the Bank, a subsequent reputation survey showed that CBE had good reputation in 2014/15, suggesting the high level of public confidence the Bank enjoys.

The accomplishments registered in the period under review would not have been possible without the unreserved leadership and guidance of the Board of Directors and the commitment of its employees. Most importantly, the trust and loyalty we enjoyed from our beloved customers have been the major drivers behind our success. I would like, therefore, to take this opportunity to thank all stakeholders for their strong commitment and trust in the Bank.

Finally, I have no doubt that CBE will preserve its dynamism and innovativeness with a view to attaining further heights and exceeding the expectations of its stakeholders.

Bekalu Zeleke  
President



## 2. Operational Highlights

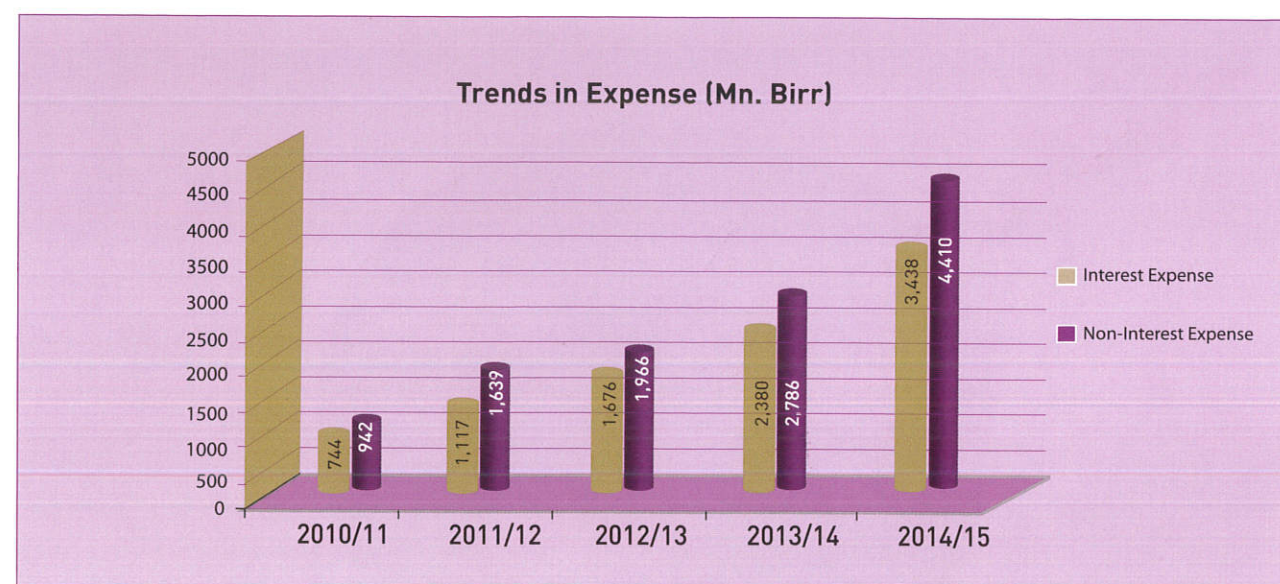
### 2.1 Income Statement Analysis

In 2014/15, total income of the Bank stood at Birr 23.2 billion, registering a growth of 30.4% when compared with 2013/14 performance of Birr 17.8 billion. This resulted because of the growth in both interest and non-interest incomes. The income generated from foreign banking operations was about Birr 5.5 billion, accounting for 23.6% of the total income. Interest income takes the lion's share of its total income.

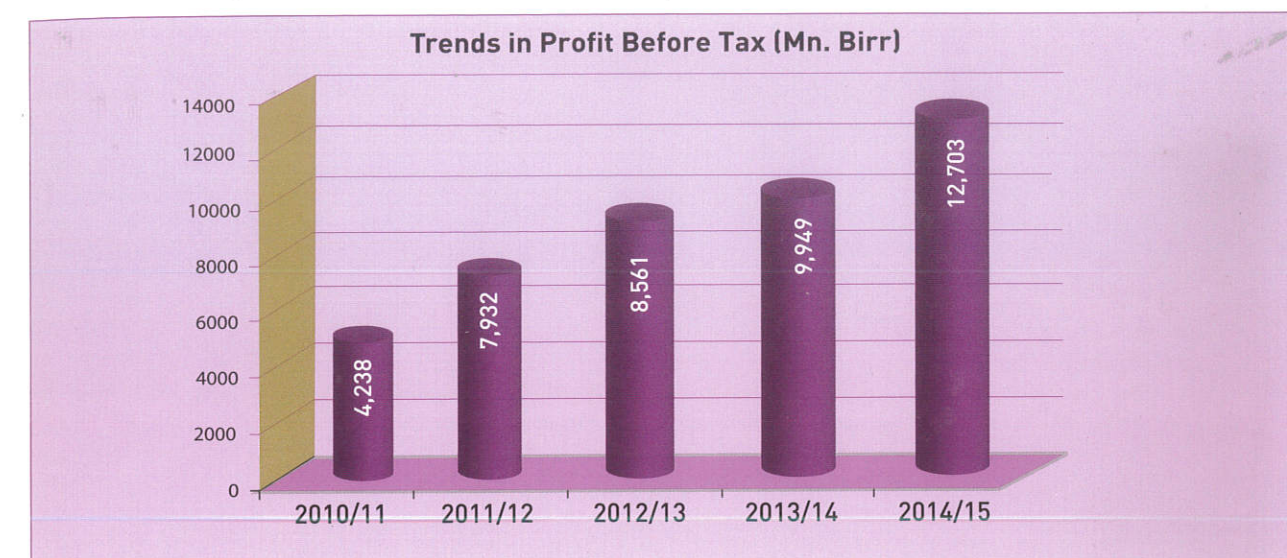
**Trends in Income Statement (Mn. Birr)**

Particulars	2013/2014	2014/2015	Percent Change
<b>Total Income</b>	<b>17,797</b>	<b>23,213</b>	<b>30.4</b>
Interest Income	11,997	16,769	39.8
Non-Interest Income	5,800	6,444	11.1
<b>Total Expenses</b>	<b>7,848</b>	<b>10,508</b>	<b>33.9</b>
Interest Expense	3,438	4,884	42.1
Non-Interest Expense	4,410	5,624	27.5
<b>Profit Before Tax</b>	<b>9,949</b>	<b>12,703</b>	<b>27.7</b>

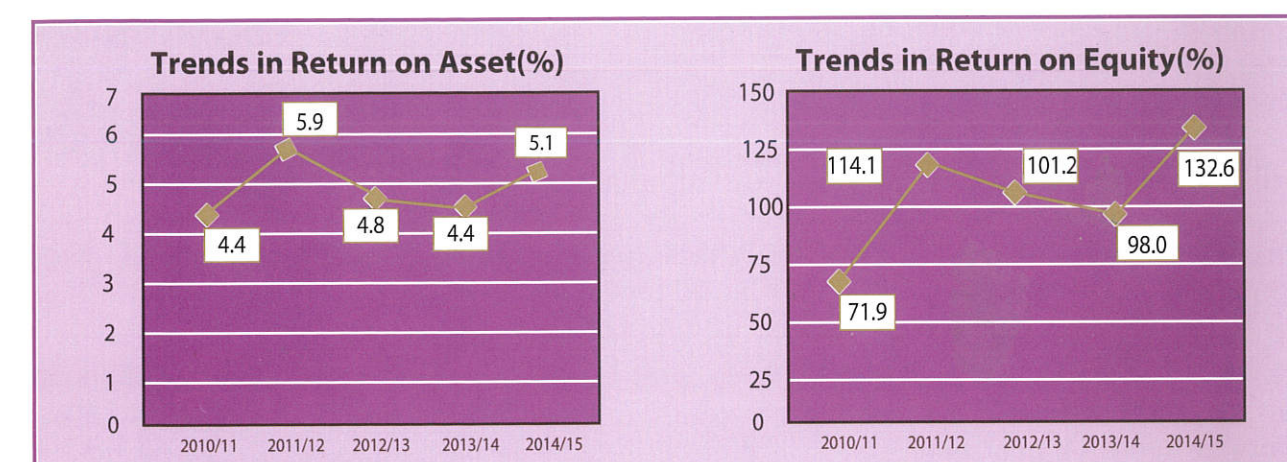
On the other hand, the total expense of the Bank stood at Birr 10.5 billion, showing an increase of Birr 2.7 billion (33.9%) over the last fiscal year. This is due to the rise in both interest and non-interest expenses in connection with the business expansion of the Bank.



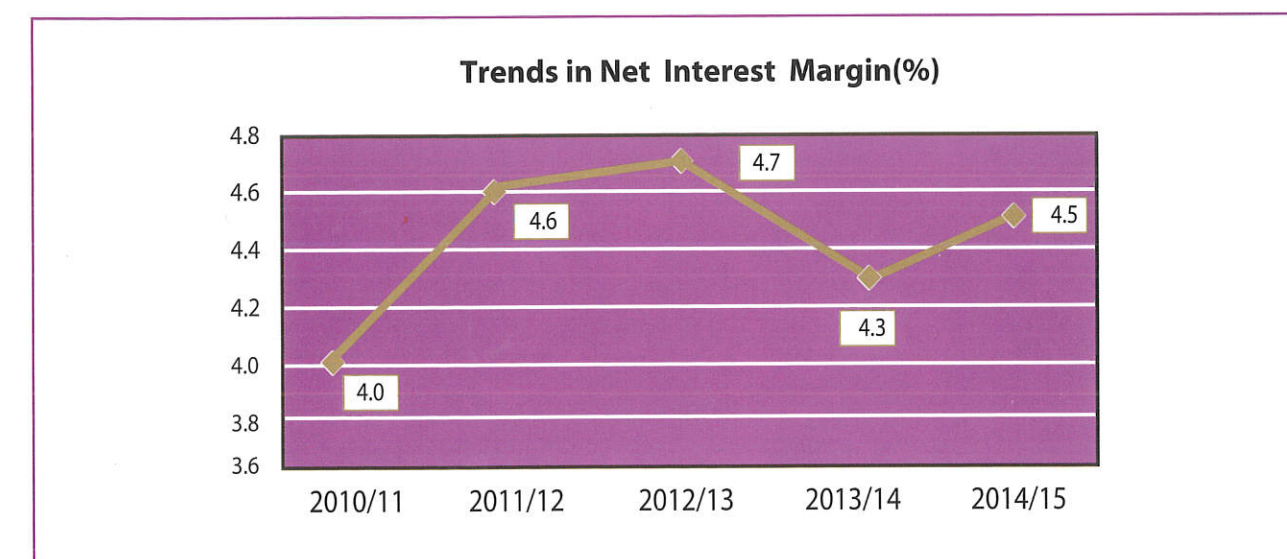
The operating profit of the Bank increased successively and reached Birr 12.7 billion in 2014/15, which shows a growth of 27.7% when compared with that of last fiscal year. The net profit of the Bank stood at about Birr 8.8 billion, showing a growth of 27.3% against Birr 6.9 billion in 2013/14.



The return on asset (RoA) and the return on equity (RoE) of the Bank stood at 5.1% and 132.6%, respectively. These performances are high compared with the accepted minimum standards, implying the continued strong profitability of the Bank.



Net interest margin for the year stood at 4.5%, which is slightly higher than the 4.3% ratio of 2013/14. This shows the continued robust profitability of the Bank.





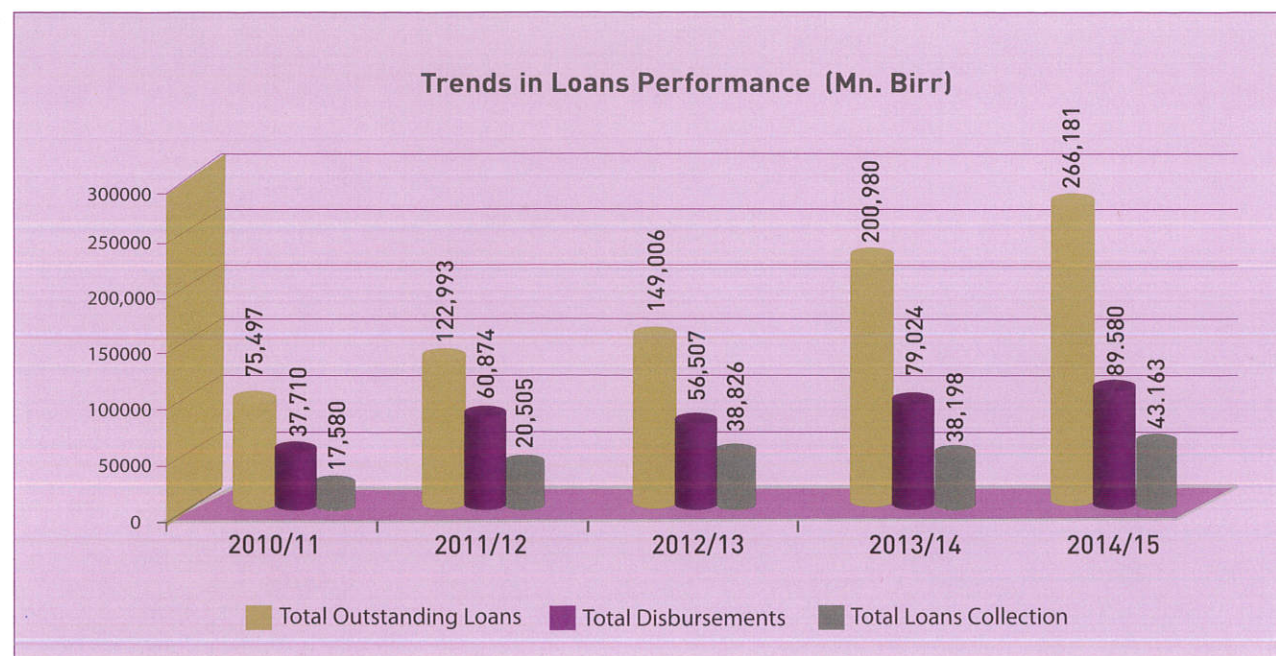


## 2.2 Balance Sheet Analysis

### 2.2.1 Asset Structure

In 2014/15, the total asset of the Bank was Birr 305 billion, exceeding that of the past fiscal year by Birr 60.9 billion (25%). 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 90 billion, indicating a growth of 13.4% compared with the level of 2013/14. 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 2014/15 stood at Birr 266.2 billion, depicting an increase of 32.4% from the previous year. A large portion of the loans went to the manufacturing sector, which took around 21.6% of the total outstanding loan. Loans to the manufacturing sector grew by around 30% during the year.

The second largest portion of the loan was given to foreign trade, which had nearly 8% share of the total loans, and grew by around 25% during the year. Domestic trade and services had around 2% share of the total outstanding loans, and it grew by around 41%. This shows that the Bank has been striving to boost the contribution of the manufacturing sector of the economy.

### 2.2.3 Liabilities

In 2014/15, the total liabilities of the Bank reached Birr 291.8 billion, which shows an annual growth of 25.2% from the past fiscal year. Growth in 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 242.5 billion, indicating a growth of 25% when compared with that of 2013/14. This was mainly due to the growth of saving deposits by about 34%. Demand deposits increased as well by 17% when compared with the past fiscal year. This shows that the Bank has been expanding in all types of deposits.

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

Particulars	2013/14	2014/15	Growth in %
Demand Deposit	103,051.62	120,182.52	16.6
Savings Deposit	81,329.20	108,787.58	33.8
Fixed time Deposit	9,671.04	13,526.92	39.9
<b>Total Deposit</b>	<b>194,051.90</b>	<b>242,497.03</b>	<b>25</b>

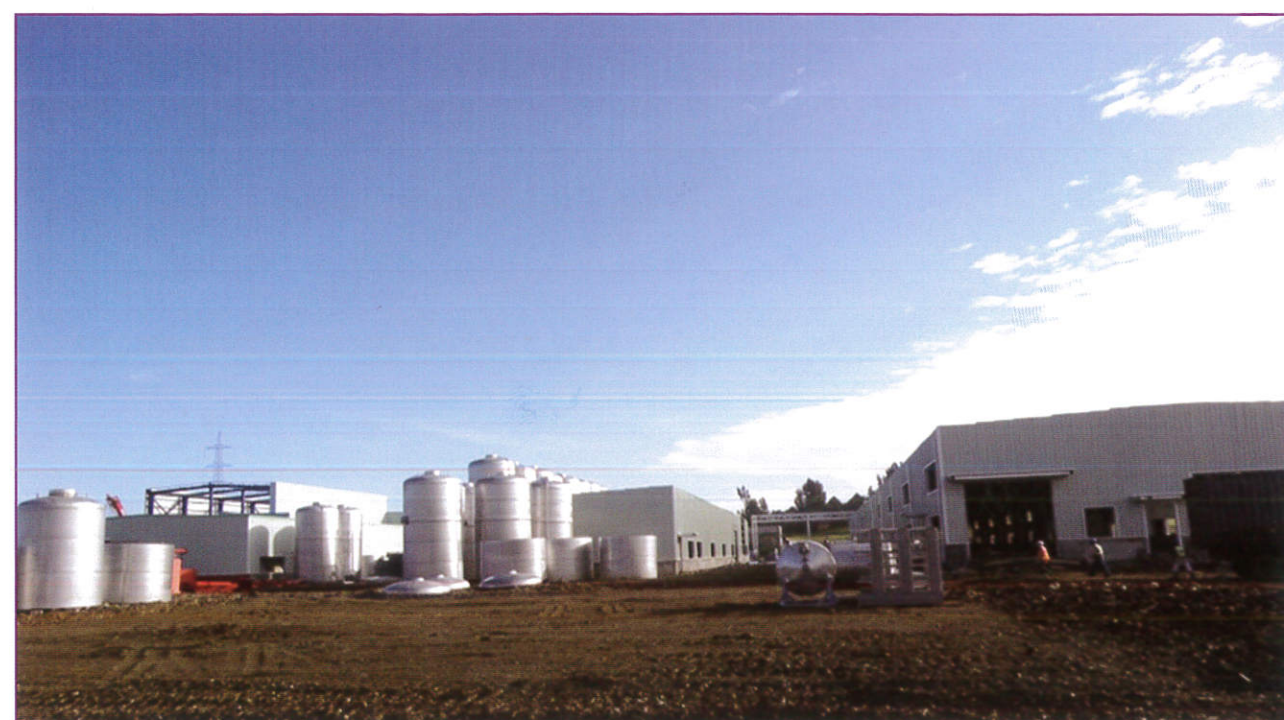
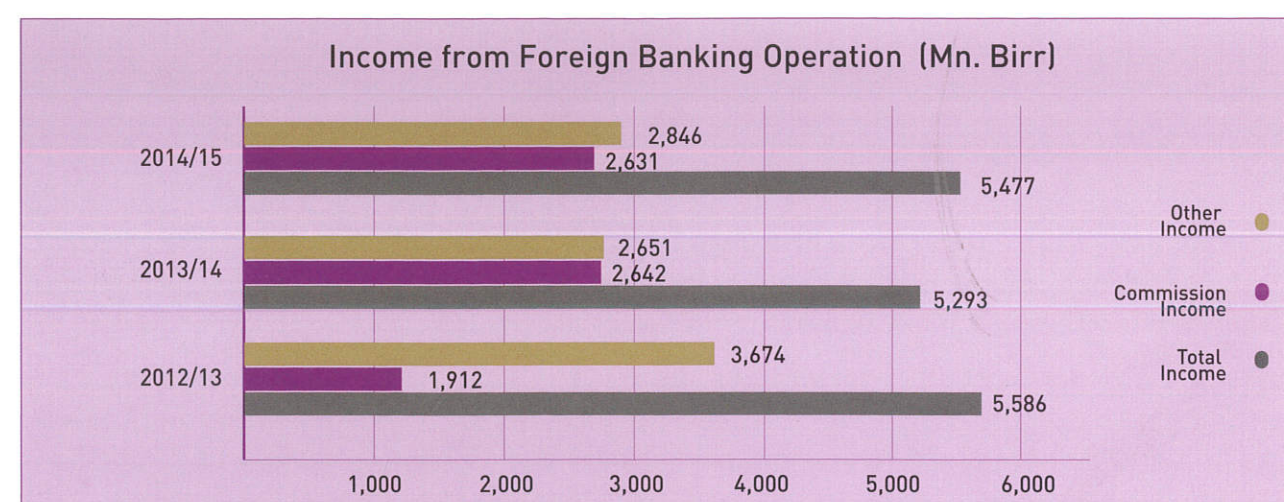


## 2.2.4 Capital Adequacy

Capital and reserve position of CBE increased from Birr 11.1 billion in 2013/14 to Birr 13.3 billion in 2014/15. The risk weighted capital adequacy ratio stood at 13.2%, which is well above the minimum requirements of 8%. Growth in capital and reserve position 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 significant amount of revenue. The Bank maintains healthy business relationships with many prominent banks around the world. The overall income earned from foreign banking operations stood at Birr 5.5 billion, which suggests an increase by 3.5% from the last fiscal year.



## 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 5.8 billion, up by 4.12% from 2013/14. 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 83% of the total FCY inflows. It also registered a growth of 8.65% in 2014/15.

### Foreign Currency Receipts (Mn. USD)

Particulars	2013/14	2014/15	Growth in %
<b>Exports</b>	<b>972.80</b>	<b>1,126.10</b>	<b>(13.61)</b>
<b>Remittances</b>	<b>4,787.00</b>	<b>4,406.00</b>	<b>8.65</b>
Private Transfers	1,973.10	1,852.30	6.52
Official Transfers	881.20	658.90	33.74
<b>FCY Purchases</b>	<b>300.00</b>	<b>416.80</b>	<b>(28.02)</b>
<b>Service Receipts</b>	<b>1,632.70</b>	<b>1,478.00</b>	<b>10.47</b>
<b>Total Inflows</b>	<b>5,759.80</b>	<b>5,532.10</b>	<b>4.12</b>

## 3. Other Developments

### 3.1 Human Resources

Strengthening the human resources development effort is key to organizational success. In this regard, CBE has continued to exert unreserved efforts towards capacitating its human capital through providing various on-the-job training for both existing and new staff. It has also been striving on recruiting additional new employees and retaining trained and well-qualified staff through various incentives and benefit packages. In 2014/15, the Bank recruited 4,976 permanent employees, and the total number of staff was raised to 22,908 from 18,524 in the past fiscal year.

With the objective of enhancing the expertise and professionalism of its employees to the required level, a total of 33,769 employees participated in different leadership and technical capacity enhancement training programs during the year. In addition to 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 emphasis on recruiting qualified professionals and training its staff. 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. The inauguration of CBE's Center of Excellence, which is a 12 story building well equipped with high quality training facilities during the fiscal year is a big step in this direction. The Center is expected to enhance leadership capabilities and professionalism of employees.

### 3.2 Technology Deployment

Recent 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 754 million in June 2015. This balance was around Birr 573 million in 2013/14. As a result of this investment, the number of ATMs and POSs deployed in different parts of the country has consistently increased. Most of the Bank branches and other units were also connected to the 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.

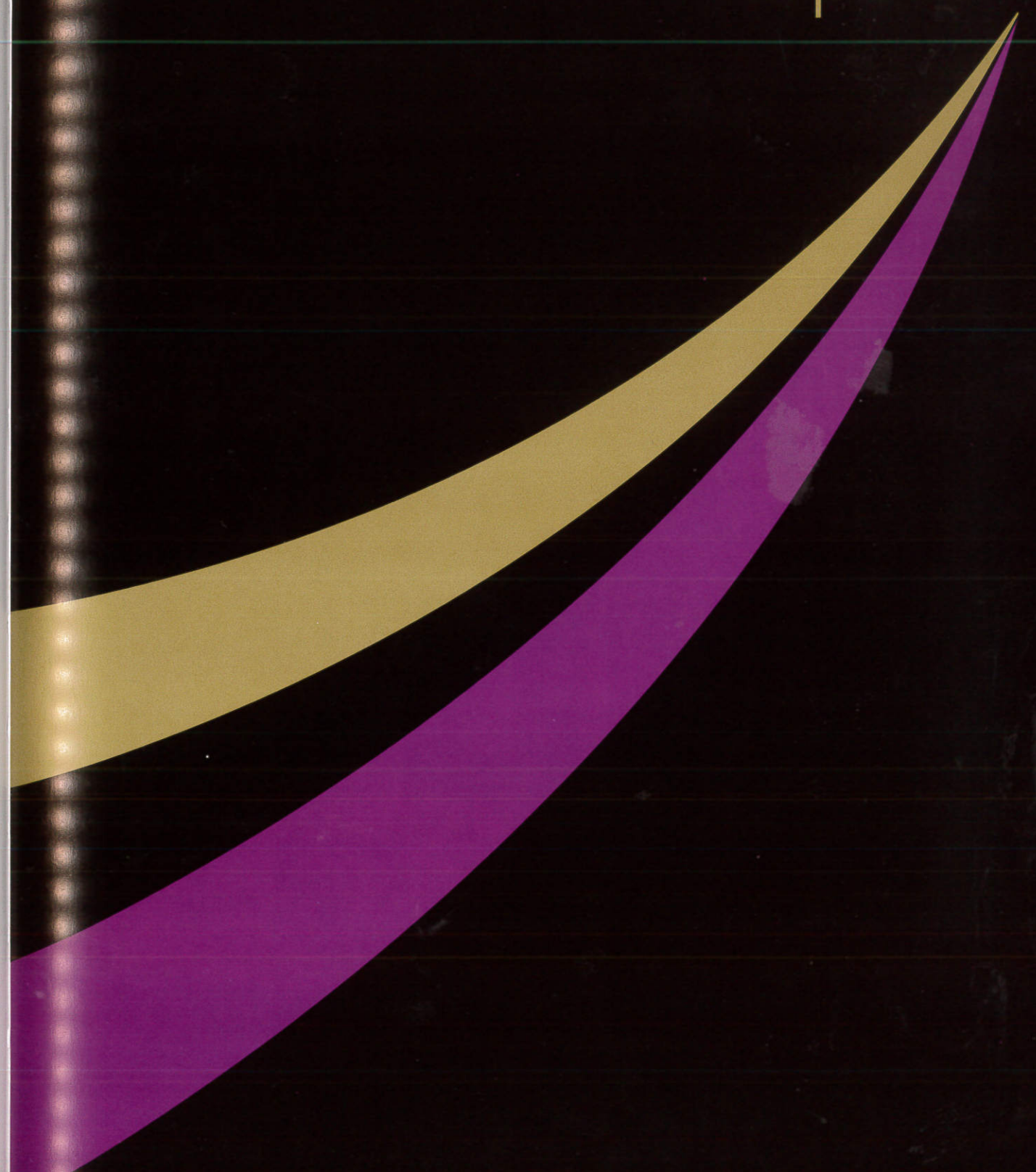
### 3.3 Overall Business Development

CBE opened 133 new branches in 2014/15, which increased its total branch network to 965. Many of its branches also expanded their services by opening additional windows. Consequently, the customer base grew significantly, reaching 10.6 million account holders and an increment of about 2.4 million account holders during the fiscal year under review. In the same year, the number of ATMs reached 644, about 1,886 Point of Sale (POS) terminals were also deployed across major cities and business locations. Moreover, additional 630,601 visa cards were issued during the fiscal year and the number of visa card holders reached 1,604,363.

Apart from enhancing accessibility, impressive progress was also registered in the fiscal year with respect to the recently introduced new products such as Education Savings, 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, to deploy more ATMs and POS terminals so that it could enhance convenience and further improve service delivery. By boosting service delivery and expanding its outreach, the Bank is committed to maintaining its market share and adding values to its customers.

# 2014/15 Auditor's Report





INDEPENDENT AUDITOR'S 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 2015, 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.

INDEPENDENT AUDITOR'S 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, in all material respects, the consolidated financial position of Commercial Bank of Ethiopia and its subsidiaries as at 30 June 2015 and their consolidated financial performance and consolidated 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*

17 August 2016



COMMERCIAL BANK OF ETHIOPIA

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
INTEREST INCOME	4	16,769,423,731	11,996,706,897
INTEREST EXPENSE	5	(4,884,317,487)	(3,437,775,111)
NET INTEREST INCOME		11,885,106,244	8,558,931,786
IMPAIRMENT LOSSES ON LOANS AND ADVANCES		(541,478,442)	(537,756,765)
NET INTEREST AFTER IMPAIRMENT LOSSES		11,343,627,802	8,021,175,021
GAIN ON FOREIGN CURRENCY TRANSACTIONS		1,961,819,280	1,156,912,579
NON INTEREST INCOME	6	4,481,511,752	4,643,086,557
NON INTEREST EXPENSES	7	(5,083,478,749)	(3,872,161,609)
		1,359,852,283	1,927,837,527
PROFIT BEFORE TAX		12,703,480,085	9,949,012,548
Income tax expense	8(a)	(3,933,382,961)	(3,059,313,218)
PROFIT FOR THE YEAR		8,770,097,124	6,889,699,330
Other comprehensive income			
Exchange difference on translating foreign operations		18,993,354	16,565,276
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,789,090,478	6,906,264,606
Profit for the year attributable to			
Owner of the Bank		8,767,250,965	6,886,615,122
Non-controlling interests		2,846,159	3,084,208
		8,770,097,124	6,889,699,330
Total comprehensive income for the year attributable to			
Owner of the Bank		8,786,244,319	6,903,174,503
Non-controlling interests		2,846,159	3,090,103
		8,789,090,478	6,906,264,606

*Ahakeit K. Maniy*  
Vice President Finance

Addis Ababa, 17 August 2016



*[Signature]*  
President

COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2015

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
ASSETS			
Cash	9	21,448,830,305	15,156,565,357
Treasury bills		-	116,116,023
Government securities	10	1,363,834,775	1,635,541,148
Coupon bonds	11	24,591,649,835	17,737,084,874
Corporate bonds	12	128,100,000,000	92,400,000,000
Placements with other banks	13	3,663,418,688	17,244,037,613
Loans to Micro-finance Institutions		460,590,113	388,141,899
Loans and advances to customers	14	108,019,526,817	86,873,653,454
Other advances		5,008,955,737	3,580,799,338
Other investments	15	75,650,226	42,781,589
Deferred tax asset	16	9,674,973	-
Other assets	17	9,863,948,791	7,095,188,484
Property, plant and equipment	18	2,297,008,667	1,671,190,881
Advance payment for asset planned to be sold		25,500,000	-
Intangible assets	19	44,646,337	87,571,056
Goodwill		16,863,185	12,563,817
Leasehold land	20	84,741,216	86,576,069
		305,074,839,665	244,127,811,602
LIABILITIES			
Deposits due to other banks		828,814,607	896,258,454
Customers' deposits	21	241,668,215,195	193,155,607,035
Current tax liabilities	8 (d)	3,956,408,312	3,053,988,901
Finance lease obligations		38,610,373	40,742,968
Dividend	22	15,938,133,246	9,377,803,827
Deferred tax liabilities	23	1,876,051	5,623,630
Other liabilities	24	29,321,740,125	26,505,506,090
		291,753,797,909	233,035,530,905
NET ASSETS		13,321,041,756	11,092,280,697
CAPITAL AND RESERVES			
Capital	25	8,082,416,551	8,082,416,551
Legal reserve	26	4,829,353,814	2,688,425,162
Retained earnings	27	305,986,324	239,993,430
Foreign currency translation reserve	28	91,788,244	72,794,890
Equity attributable to the owner of the Bank		13,309,544,933	11,083,630,033
Non-controlling interests		11,496,823	8,650,664
		13,321,041,756	11,092,280,697

*Ahakeit K. Maniy*  
Vice President Finance

Addis Ababa, 17 August 2016



*[Signature]*  
President



COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015

	Capital ETB	Legal Reserve ETB	Retained Earnings ETB	Foreign Currency Translation Reserve ETB	Attributable to owner of the Bank ETB	Non- Controlling Interests ETB	Total ETB
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
Profit for the year			8,767,250,965		8,767,250,965	2,846,159	8,770,097,124
Other comprehensive income for the year				18,993,354	18,993,354		18,993,354
Transfer to legal reserve		2,140,928,652	(2,140,928,652)				
Dividend			(6,560,329,419)		(6,560,329,419)		(6,560,329,419)
Balance at 30 June 2015	8,082,416,551	4,829,353,814	305,986,324	91,788,244	13,309,544,933	11,496,823	13,321,041,756

COMMERCIAL BANK OF ETHIOPIA  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	8,770,097,124	6,889,699,330
Adjustments for		
Income tax expense recognized in profit or loss	3,933,382,961	3,059,313,218
Investment income recognized in profit or loss	-	(1,309,139)
Impairment of loans and advances	532,014,688	537,756,765
Depreciation and amortization of non-current assets	418,420,416	280,001,048
Gain on disposal of property, plant and equipment	(6,205,669)	(6,924,904)
	<b>13,647,709,520</b>	<b>10,758,536,318</b>
Movements in working capital		
Increase in coupon bonds	(6,854,564,961)	(3,505,360,024)
Increase in corporate bonds	(35,700,000,000)	(27,300,000,000)
Increase in loans and advances	(23,187,956,418)	(21,705,786,758)
(Increase) decrease in other assets	(2,759,296,553)	54,871,266
Increase in cash reserve with National Bank	(1,819,920,557)	(1,730,079,443)
Increase in customers' deposits	48,512,608,160	39,168,306,866
Increase in other liabilities	2,817,074,495	1,834,392,638
<b>Cash used in operations</b>	<b>(5,344,346,314)</b>	<b>(2,425,119,137)</b>
Income taxes paid	(3,045,226,562)	(2,720,284,648)
<b>Net cash used in operating activities</b>	<b>(8,389,572,876)</b>	<b>(5,145,403,785)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	-	219,909
Payments for property, plant and equipment	(1,002,195,567)	(882,574,182)
Proceeds from disposal of property, plant and equipment	8,922,606	7,850,433
Proceeds from redemption of government securities	271,706,373	758,732,649
Payment for other investments	(31,192,966)	-
Payments for intangible assets	(4,299,368)	(12,563,817)
Payments for assets classified as held for sale	(25,500,000)	-
Payment for leasehold land	(2,132,595)	(8,680,938)
Proceeds from (payments for) guarantee deposits	6,289,948,047	(733,591,902)
<b>Net cash generated by (used in) investing activities</b>	<b>5,505,256,530</b>	<b>(870,607,848)</b>
<b>Unrealised gains arising from changes in foreign currency exchange rates</b>	<b>17,317,683</b>	<b>14,981,637</b>
	<b>(2,866,998,663)</b>	<b>(6,001,029,996)</b>
<b>decrease in cash and cash equivalents</b>	<b>9,149,685,109</b>	<b>15,150,715,105</b>
Cash and cash equivalents at the beginning of the year	<b>6,282,686,446</b>	<b>9,149,685,109</b>
<b>Cash and cash equivalents at the end of the year</b>		
<b>Cash and cash equivalents comprise</b>	<b>3,695,232,486</b>	<b>3,160,729,502</b>
Cash in hand	-	116,116,023
Treasury bills	4,649,394,921	1,092,123,685
Balances with National Bank of Ethiopia	1,365,822,998	985,252,827
Balances with Central Bank of South Sudan	(2,598,949,352)	4,691,721,526
Placements with other banks	(828,814,607)	(896,258,454)
Deposits due to other banks	<b>6,282,686,446</b>	<b>9,149,685,109</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 over 1,000 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) Advance payment for asset planned to be sold

This payment is an advance for a warehouse. The warehouse was acquired to be sold.

k) Goodwill

Goodwill is in respect to a printing business which is a cash-generating unit. The unit is tested for impairment at each year end.

l) 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.

m) 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)

n) 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.

o) 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.

p) 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.

q) 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.

r) 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)

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>4 INTEREST INCOME</b>		
Loans and advances	8,711,932,539	6,616,249,482
Corporate bonds	6,467,176,163	4,714,335,929
Coupon bonds	1,454,702,642	451,251,903
Placements with other banks	119,585,540	184,323,160
Government bonds	16,026,847	30,546,423
	<b>16,769,423,731</b>	<b>11,996,706,897</b>
<b>5 INTEREST EXPENSE</b>		
Customers' deposits	4,802,357,857	3,396,449,606
Deposits from other banks	81,957,077	4,562,706
Others	2,553	36,762,799
	<b>4,884,317,487</b>	<b>3,437,775,111</b>
<b>6 NON INTEREST INCOME</b>		
Commission	2,774,304,564	2,970,327,028
Service and transaction fees	968,980,979	1,083,891,941
Collection from provision held	24,113,098	8,360,857
Write back of creditors' accounts	21,484,006	9,742,226
Rental income	14,322,837	17,948,327
Gain on disposal of property, plant and equipment	6,205,669	6,924,904
Dividend income	-	1,309,139
Other income	672,100,599	544,582,135
	<b>4,481,511,752</b>	<b>4,643,086,557</b>
<b>7 NON INTEREST EXPENSES</b>		
Salaries and employee benefits	3,337,344,570	2,578,186,630
Depreciation	366,548,358	260,567,058
Office rent	253,576,809	174,428,754
Advertising and publicity	142,896,791	72,730,132
Stationery and office supplies	110,401,139	108,843,538
Electronic data processing	78,679,951	57,241,697
Postage and telephone	61,610,294	67,861,633
Repairs and maintenance	46,274,680	35,426,811
Service charges	42,551,136	111,028,786
Travel	37,522,038	34,798,458
Insurance	29,276,815	29,731,164
Motor vehicle running	21,728,614	20,635,496
Water and electricity	11,767,241	14,968,619
Legal and consultancy fees	4,693,261	17,453,593
Land and building taxes	1,945,093	1,384,677
Audit fees	1,360,724	995,903
Board fees	418,259	381,490
Loan and advance written off	-	346,125
Other expenses	534,882,976	285,151,045
	<b>5,083,478,749</b>	<b>3,872,161,609</b>

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

	2015 Ethiopian Birr	2014 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%	3,947,645,973	3,072,246,036
Deferred tax in respect of the current year		
Credit to profit or loss	(14,611,815)	(12,932,818)
Charge to profit or loss	348,803	-
	(14,263,012)	(12,932,818)
	<b>3,933,382,961</b>	<b>3,059,313,218</b>
<b>(b) Tax expense computation</b>		
Net profit before taxation	12,703,480,085	9,949,012,548
Add: Disallowed expenses		
Provision for doubtful debts	541,478,442	538,043,302
Depreciation	356,845,287	253,032,875
Amortization	42,924,718	40,025,483
Entertainment and donations	7,244,994	6,137,511
Customs valuation	445,551	-
Demurrage	386,810	-
Penalty	75,057	-
Losses related to subsidiaries	20,132,386	-
	969,533,245	837,239,171
	<b>13,673,013,330</b>	<b>10,786,251,719</b>
Less: Allowed expenses		
Depreciation	(330,315,035)	(230,282,323)
Amortization	(17,169,887)	(16,010,193)
	(347,484,922)	(246,292,516)
	<b>13,325,528,408</b>	<b>10,539,959,203</b>
Less: Income not to be included in taxable profit		
Income taxed at source or exempt	(136,164,115)	(219,127,344)
Gain on disposal of property, plant and equipment	(6,431,286)	(6,924,905)
Bad debts recovered	(24,113,098)	(8,360,857)
	(166,708,499)	(234,413,106)
<b>Taxable profit</b>	<b>13,158,819,909</b>	<b>10,305,546,097</b>
<b>Income tax at 30%</b>	<b>3,947,645,973</b>	<b>3,091,663,829</b>
Effect of income tax at 20%	-	(19,417,793)
<b>Current tax payable</b>	<b>3,947,645,973</b>	<b>3,072,246,036</b>
Deferred tax	(14,263,012)	(12,932,818)
<b>Tax expense</b>	<b>3,933,382,961</b>	<b>3,059,313,218</b>



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

	2015 Ethiopian Birr	2014 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	12,703,480,085	9,949,012,548
Tax at the applicable rate of 30%	3,811,044,025	2,984,703,764
Tax effect of expenses not deductible for tax purposes	284,820,258	251,171,752
Tax effect of allowed expenses	(104,245,477)	(73,887,755)
Tax effect of unused tax losses not recognized as deferred tax assets	6,039,716	-
Tax effect of income taxed at source or exempt	(50,012,549)	(70,323,932)
Tax effect of income taxed at a different rate	-	(19,417,793)
<b>Current tax payable</b>	<b>3,947,645,973</b>	<b>3,072,246,036</b>
Deferred tax	(14,263,012)	(12,932,818)
<b>Tax expense</b>	<b>3,933,382,961</b>	<b>3,059,313,218</b>
<b>(d) Balance sheet - Tax payable</b>		
At the beginning of the year	3,053,988,901	2,702,027,511
Paid during the year	(3,045,226,562)	(2,720,284,646)
Current year tax payable	3,947,645,973	3,072,246,036
	<b>3,956,408,312</b>	<b>3,053,988,901</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)

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>9 CASH</b>		
Cash on hand	5,061,055,484	3,160,729,502
Cash reserve with National Bank of Ethiopia	10,372,556,902	9,918,459,343
Payment and settlement account with National Bank of Ethiopia	4,649,394,921	1,092,123,685
with Central Bank of South Sudan	1,365,822,998	985,252,827
	<b>21,448,830,305</b>	<b>15,156,565,357</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 2015, the cash reserve requirement was 5% (2014-5%) 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 GOVERNMENT SECURITIES**

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

	2015 Ethiopian Birr	2014 Ethiopian Birr
On demand	213,372,593	-
Maturing within 90 days	22,207,349	388,970,446
Maturing after 90 days and within one year	231,210,413	5,810,247
Maturing after one year	897,044,420	1,240,760,455
	<b>1,363,834,775</b>	<b>1,635,541,148</b>
Interest free	655,087,498	950,621,033
Bearing interest at the rate of 2%	343,684,576	387,811,406
Bearing interest at the rate of 5%	365,062,701	297,108,709
	<b>1,363,834,775</b>	<b>1,635,541,148</b>

**11 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.

	2015 Ethiopian Birr	2014 Ethiopian Birr
Maturing within one year	10,796,161,364	5,905,162,309
Maturing after one year	13,795,488,471	11,831,922,565
	<b>24,591,649,835</b>	<b>17,737,084,874</b>



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

12 CORPORATE BONDS	2015 Ethiopian Birr	2014 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.	93,200,000,000	65,200,000,000
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	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.	13,000,000,000	5,300,000,000
	<b>128,100,000,000</b>	<b>92,400,000,000</b>

13 PLACEMENTS WITH OTHER BANKS	2015 Ethiopian Birr	2014 Ethiopian Birr
Due within 90 days	(2,598,949,352)	4,691,721,526
Due over 90 days	6,262,368,040	12,552,316,087
	<b>3,663,418,688</b>	<b>17,244,037,613</b>

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

14 LOANS AND ADVANCES TO CUSTOMERS	2015 Ethiopian Birr	2014 Ethiopian Birr
Term and merchandise loans	94,187,141,503	76,781,496,048
Overdrafts	3,630,327,618	4,445,426,700
Advances on import and export bills	13,145,106,854	8,050,117,639
	110,962,575,975	89,277,040,387
Less: Provision for impairment losses	2,943,049,158	2,403,386,933
	<b>108,019,526,817</b>	<b>86,873,653,454</b>
Repayable		
on demand	5,297,583,722	13,488,989,833
within one year	24,329,567,010	9,579,480,438
within one to five years	16,112,040,299	6,781,916,809
within periods exceeding five years	62,280,335,786	57,023,266,374
	<b>108,019,526,817</b>	<b>86,873,653,454</b>
The movements in the provision for impairment losses		
Balance at 30 June 2014	2,403,386,933	1,869,805,130
Written off during the year	(1,816,217)	(4,174,962)
	2,401,570,716	1,865,630,168
Additional provision made during the year	541,478,442	537,756,765
	<b>2,943,049,158</b>	<b>2,403,386,933</b>
Loans and advances by borrowers		
Manufacturing	57,495,534,008	44,281,207,211
Foreign trade	22,230,210,638	17,792,572,786
Agriculture	13,145,787,483	12,268,848,964
Domestic trade and services	6,565,223,021	4,659,485,854
Consumer	6,341,356,745	5,819,063,387
Building and construction	5,146,018,394	4,455,862,185
Interest free banking	38,445,686	-
	<b>110,962,575,975</b>	<b>89,277,040,387</b>



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

15 OTHER INVESTMENTS	Proportion of ownership interest and Voting power	2015 Ethiopian Birr	2014 Ethiopian Birr
Sudanese consortium (SSP 5,000,000)	12.20	34,851,678	33,176,007
Ethswitch Share Company (11,370 shares of Birr 1,000 each)	6.25	11,370,000	5,030,000
African Export Import Bank (245 shares of USD 10,000 each)	0.08	29,098,497	4,245,531
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>75,650,226</b>	<b>42,781,589</b>

16 DEFERRED TAX ASSET

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

Movement on the deferred tax account is as follows

	2015 Ethiopian Birr
At 30 June 2014 - liability	(5,623,630)
Transfer to deferred tax liability	686,788
	(4,936,842)
Credit to profit or loss	14,611,815
At 30 June 2015	<b>9,674,973</b>

17 OTHER ASSETS	2015 Ethiopian Birr	2014 Ethiopian Birr
Interest receivable	5,514,015,984	3,232,781,248
Ministry of Finance and Economic Development	1,230,978,839	1,206,841,999
Prepaid office rent	764,506,948	504,448,521
Foreign receivables	661,603,383	1,244,148,406
Purchases in progress	660,534,245	-
Stationery and other supplies	411,460,158	526,020,243
IT expansion project	231,080,002	151,165,565
Acquired properties	145,837,900	153,350,417
Other receivables	<b>439,401,527</b>	<b>281,366,034</b>
	10,059,418,986	7,300,122,433
Less: Provision for doubtful debts	195,470,195	204,933,949
	<b>9,863,948,791</b>	<b>7,095,188,484</b>

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

18 PROPERTY AND EQUIPMENT	Balance at 30 June 2014 ETB	Additions ETB	Transfer Disposals ETB	Balance at 30 June 2015 ETB
<b>COST</b>				
Buildings	453,313,262	44,756,873	55,002,532	553,072,667
Computers and software	572,687,322	182,524,702	(727,107)	754,484,917
Fixtures, fittings and equipment	644,362,360	404,334,206	8,627,861	1,057,324,427
Motor vehicles	454,181,777	106,642,137	(7,197,692)	553,626,222
Work in progress	585,040,271	263,937,649	(65,994,990)	782,982,930
	<b>2,709,584,992</b>	<b>1,002,195,567</b>	<b>(10,289,396)</b>	<b>3,701,491,163</b>
<b>DEPRECIATION</b>				
Buildings	216,846,319	25,634,428	(211,455)	242,269,292
Computers and software	249,556,778	129,900,499	(27,182)	379,430,095
Fixtures, fittings and equipment	266,793,966	144,138,243	(222,673)	410,709,536
Motor vehicles	305,197,048	73,987,674	(7,111,149)	372,073,573
	<b>1,038,394,111</b>	<b>373,660,844</b>	<b>(7,572,459)</b>	<b>1,404,482,496</b>
<b>NET BOOK VALUE</b>	<b>1,671,190,881</b>			<b>2,297,008,667</b>

19 INTANGIBLE ASSETS

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>COST</b>	111,342,473	
Core Banking Software	16,862,605	
Card Banking Software	32,658,062	
Infrastructure and IT Security Software	3,195,582	
Smart Banking Software	<b>164,058,722</b>	
<b>AMORTIZATION</b>	76,487,666	
Balance at 30 June 2014	42,924,719	
For the year	119,412,385	
	<b>44,646,337</b>	

20 LEASEHOLD LAND

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>COST</b>		
Balance at 30 June 2014	92,366,046	92,366,046
<b>AMORTIZATION</b>		
Balance at 30 June 2014	5,789,977	3,955,124
For the year	1,834,853	1,834,853
	7,624,830	5,789,977
<b>NET BOOK VALUE</b>	<b>84,741,216</b>	<b>86,576,069</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.



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

21 CUSTOMERS' DEPOSITS	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>Payable on demand</b>		
Local and Central Government	47,502,359,044	39,122,287,673
Private sector and retail customers	41,899,674,765	36,253,764,930
Public enterprises and agencies	28,703,223,407	26,723,397,813
	<b>118,105,257,216</b>	<b>102,099,450,416</b>
<b>Savings deposits</b>		
Private sector and retail customers	106,574,683,633	78,981,408,363
Public enterprises and agencies	2,212,897,916	2,212,572,112
	<b>108,787,581,549</b>	<b>81,193,980,475</b>
<b>Term deposits</b>		
Public enterprises and agencies	9,143,857,174	8,924,472,428
Private sector and retail customers	4,383,067,210	746,571,040
Local Government	-	-
	<b>13,526,924,384</b>	<b>9,671,043,468</b>
<b>Interest Free Banking</b>		
All sectors	1,248,452,046	191,132,676
	<b>241,668,215,195</b>	<b>193,155,607,035</b>
<b>22 DIVIDEND</b>		
Balance at 30 June 2013	9,377,803,827	4,364,426,873
Current appropriation	6,560,329,419	5,013,376,954
	<b>15,938,133,246</b>	<b>9,377,803,827</b>
<b>23 DEFERRED TAX LIABILITY</b>		
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 goodwill, and their carrying values for financial reporting purposes. Movement on the deferred tax account is as follows		
At 30 June 2014	5,623,630	18,556,448
Adjustment to 2014	840,460	-
	6,464,090	18,556,448
Transfer to deferred tax asset	(4,936,842)	-
	1,527,248	18,556,448
Charge (credit) to profit or loss	348,803	(12,932,818)
	<b>1,876,051</b>	<b>5,623,630</b>

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

24 OTHER LIABILITIES	2015 Ethiopian Birr	2014 Ethiopian Birr
National Bank of Ethiopia	13,134,843,807	12,923,745,220
Margin accounts and deposits for guarantees	10,247,212,872	6,786,916,052
CPO's, telegraphic transfers and money transfers	2,575,080,354	2,476,244,350
Inter-branch clearing	1,253,792,457	1,746,026,909
Blocked accounts	464,324,771	475,217,077
Accrued leave pay	212,408,235	181,574,459
Other taxes	120,830,023	95,201,159
Unearned income	39,895,777	-
Pension contributions	25,326,673	17,466,321
Miscellaneous	1,248,025,156	1,803,114,543
	<b>29,321,740,125</b>	<b>26,505,506,090</b>

**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

	2015 Ethiopian Birr	2014 Ethiopian Birr
Letters of credit and acceptances	2,360,238,565	2,999,381,618
Guarantees and performance bonds	13,411,195,828	650,335,701
	<b>15,771,434,393</b>	<b>3,649,717,319</b>



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

**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.

**30 TRUST FUNDS**

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

	2015 Ethiopian Birr	2014 Ethiopian Birr
Cash held on behalf of National Bank of Ethiopia	58,936,387,951	28,0224,835,911
Trust Funds	29,238,935	33,903,815

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.

Included in loans and advances is a total of Birr 1,461,863,762 (2014 - Birr 961,837,689) advanced to employees. Included in this figure are loans to employees amounting to Birr 340,731,906 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 2015 to the contractual maturity date.

	On Demand ETB'000,000	Due with in 3 months ETB'000,000	Due between 3 and 12 months ETB'000,000	Due between 1 and 5 Years ETB'000,000	Non-maturity Items ETB'000,000	Total ETB'000,000
<b>Assets</b>						
Cash and bank balances	2,405	203	416	6,347	12,078	21,449
Government securities	339	22	106	897		1,364
Placements with other banks	3,667	28	96	332		4,123
Loans and advances to customers	5,983	16,737	15,924	69,394		108,038
Investment in associates					101	101
Other investments	4,462		6,341	141,889	40	152,732
Other assets	1,553	2,030	1,701	193	9,347	14,824
Property, plant and equipment					2,297	2,297
Intangible assets and goodwill					62	62
Leasehold land					85	85
<b>Total assets</b>	<b>18,409</b>	<b>19,020</b>	<b>24,584</b>	<b>219,052</b>	<b>24,010</b>	<b>305,075</b>
<b>Liabilities</b>						
Deposits due to other banks	130			699		829
Customers' deposits	21,594	4,067	8,313	207,694		241,668
Current tax liabilities		3,956				3,956
Other liabilities	468	13,359	16,743	76	14,655	45,301
<b>Total liabilities</b>	<b>22,192</b>	<b>21,382</b>	<b>25,056</b>	<b>208,469</b>	<b>14,655</b>	<b>291,754</b>
<b>Net liquidity gap as at 30 June 2015</b>	<b>(3,783)</b>	<b>(2,362)</b>	<b>(472)</b>	<b>10,583</b>	<b>9,355</b>	<b>13,321</b>
<b>Net liquidity gap as at 30 June 2014</b>	<b>(66,228)</b>	<b>(107,958)</b>	<b>4,099</b>	<b>61,141</b>	<b>120,038</b>	<b>11,092</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.

Assets	On Demand ETB'000,000	Due with in 3 months ETB'000,000	Due between 3 and 12 months ETB'000,000	Due between 1 and 3 Years ETB'000,000	Due after 3 Years ETB'000,000	Non Interest bearing ETB'000,000	Total ETB'000,000
Cash and bank balances							
Government securities	339	22	106	875	22	21,449	21,449
Placements with other banks						4,123	4,123
Loans and advances to customers	5,983	16,737	15,924	20,635	48,759		108,038
Other investments	4,462		6,341	27,516	114,373	141	152,833
Other assets						14,824	14,824
Property, plant and equipment						2,297	2,297
Intangible assets and goodwill						62	62
Leasehold land						85	85
<b>Total assets</b>	<b>10,784</b>	<b>16,759</b>	<b>22,371</b>	<b>49,026</b>	<b>163,154</b>	<b>42,981</b>	<b>305,075</b>
<b>Liabilities</b>							
Deposits due to other banks						829	829
Customers' deposits	21,594	4,067	8,313	8	207,686		241,668
Current tax liabilities						3,956	3,956
Other liabilities						45,301	45,301
<b>Total liabilities</b>	<b>21,594</b>	<b>4,067</b>	<b>8,313</b>	<b>8</b>	<b>207,686</b>	<b>50,086</b>	<b>291,754</b>
<b>On balance sheet interest sensitivity gap at 30 June 2015</b>	<b>[10,810]</b>	<b>12,692</b>	<b>14,058</b>	<b>49,018</b>	<b>[44,532]</b>	<b>[7,105]</b>	<b>13,321</b>
<b>at 30 June 2014</b>	<b>13,544</b>	<b>[71,043]</b>	<b>[2,514]</b>	<b>61,254</b>	<b>104,738</b>	<b>[948,859]</b>	<b>11,092</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 2015 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	136,987,524	6,277,786	31,606,310	227,953,967	402,825,587
Placements with other banks	3,905,927,432	51,502,033	[423,150,323]	66,561,858	3,600,841,000
Other assets	446,572,945	184,243	31,284,252	881,094	478,922,534
<b>Total foreign currency assets</b>	<b>4,489,487,901</b>	<b>57,964,062</b>	<b>[360,259,761]</b>	<b>295,396,919</b>	<b>4,482,589,121</b>
<b>Liabilities</b>					
Deposits due to other banks	65,363,761	32,355	157,878,745		223,274,861
Customers' deposits	12,547,372,583	47,628,948	454,258,413	65,733	13,049,325,677
Other liabilities	1,190,356,195	47,524	15,954,643		1,206,358,362
<b>Total foreign currency liabilities</b>	<b>13,803,092,539</b>	<b>47,708,827</b>	<b>628,091,801</b>	<b>65,733</b>	<b>14,478,958,900</b>
Off balance sheet net notional position	29,508,861,603	35,217,490	5,903,951,539	475,130,438	35,923,161,070
<b>Foreign currency exposure at 30 June 2015</b>	<b>[38,822,466,241]</b>	<b>[24,962,255]</b>	<b>[6,892,303,101]</b>	<b>[179,799,252]</b>	<b>[45,919,530,849]</b>
<b>As at 30 June 2014</b>					
Total foreign currency assets	8,341,143,147	[149,693,431]	46,549,032	334,143,590	8,572,142,338
Total foreign currency liabilities	[12,487,435,497]	[107,072,419]	[748,148,085]	[62,725]	[13,342,718,726]
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>



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.

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 2015

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
INTEREST INCOME	36	16,770,729,381	11,996,587,964
INTEREST EXPENSE	37	(4,884,869,214)	(3,436,204,366)
NET INTEREST INCOME		11,885,860,167	8,560,383,598
IMPAIRMENT LOSSES ON LOANS AND ADVANCES		(541,478,442)	(537,756,765)
NET INTEREST AFTER IMPAIRMENT LOSSES		11,344,381,725	8,022,626,833
GAIN ON FOREIGN CURRENCY TRANSACTIONS		1,961,819,280	1,046,019,910
NON INTEREST INCOME	38	4,057,105,810	4,152,808,278
NON INTEREST EXPENSES	39	(4,700,902,429)	(3,535,400,187)
		1,318,022,661	1,663,428,001
<b>PROFIT BEFORE TAX</b>		<b>12,662,404,386</b>	<b>9,686,054,834</b>
Income tax expense	40 (a)	(3,915,298,494)	(3,001,552,230)
<b>PROFIT FOR THE YEAR</b>		<b>8,747,105,892</b>	<b>6,684,502,604</b>

COMMERCIAL BANK OF ETHIOPIA  
BANK BALANCE SHEET  
AS AT 30 JUNE 2015

	Notes	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>ASSETS</b>			
Cash	41	20,082,956,807	14,076,630,288
Government securities	42	1,238,018,597	1,627,676,387
Coupon bonds	43	24,591,649,835	17,737,084,874
Corporate bonds	44	128,100,000,000	92,400,000,000
Placements with other banks	45	3,646,781,306	17,098,003,074
Loans to other financial Institutions		460,590,113	388,141,899
Loans and advances to customers	46	108,031,649,786	86,873,653,454
Other advances		5,008,955,737	3,580,799,339
Investments in subsidiaries	47	441,675,352	437,619,017
Other investments	48	40,798,548	9,605,582
Deferred Tax assets	49	9,674,973	-
Other assets	50	9,670,428,723	6,867,644,521
Intangible assets	51	44,646,337	87,571,056
Property, plant and equipment	52	2,138,654,541	1,550,806,777
Leasehold land	20	84,741,216	86,576,069
		<b>303,591,221,871</b>	<b>242,821,812,337</b>
<b>LIABILITIES</b>			
Deposits due to other banks		812,175,377	925,723,857
Customers' deposits	53	240,695,280,199	192,275,218,594
Current tax liabilities	40 (d)	3,929,910,309	3,014,760,482
Dividend	22	15,938,133,246	9,377,803,827
Finance lease obligations		38,610,373	40,742,968
Other liabilities	54	29,273,975,593	26,466,265,466
Deferred tax liability	55	-	4,936,842
		<b>290,688,085,097</b>	<b>232,105,452,036</b>
<b>NET ASSETS</b>		<b>12,903,136,774</b>	<b>10,716,360,301</b>
<b>CAPITAL AND RESERVES</b>			
Capital	25	8,082,416,551	8,082,416,551
Legal reserve	26	4,820,720,223	2,633,943,750
		<b>12,903,136,774</b>	<b>10,716,360,301</b>



COMMERCIAL BANK OF ETHIOPIA  
BANK STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015

	Capital Ethiopian Birr	Legal Reserve Ethiopian Birr	Retained Earnings Ethiopian Birr	Total Equity Ethiopian Birr
Balance at 30 June 2013	8,082,416,551	962,818,100	-	9,045,234,651
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)
Balance at 30 June 2014	8,082,416,551	2,633,943,750	-	10,716,360,301
Profit for the year			8,747,105,892	8,747,105,892
Transfer to legal reserve		2,186,776,473	(2,186,776,473)	-
Dividend			(6,560,329,419)	(6,560,329,419)
Balance at 30 June 2015	8,082,416,551	4,820,720,223	-	12,903,136,774

COMMERCIAL BANK OF ETHIOPIA  
BANK STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2015

	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	8,747,105,892	6,684,502,604
Adjustments for		
Income tax expense recognized in profit or loss	3,915,298,494	3,001,552,230
Investment income recognized in profit or loss	-	(1,309,139)
Impairment of loans and advances	517,365,344	529,682,444
Depreciation and amortization of non-current assets	392,250,836	288,341,419
Gain on disposal of property, plant and equipment	(6,205,667)	(6,924,904)
Creditors' accounts written off in profit or loss	(21,484,006)	(9,742,226)
	<b>13,544,330,893</b>	<b>10,486,102,428</b>
Movements in working capital		
Increase in coupon bonds	(6,854,564,961)	(3,505,360,024)
Increase in corporate bonds	(35,700,000,000)	(27,300,000,000)
Increase in loans and advances	(23,185,430,042)	(21,697,817,810)
(Increase) Decrease in other assets	(2,792,793,859)	175,513,677
Increase in cash reserve with National Bank	(1,820,000,000)	(1,730,000,000)
Increase in customers' deposits	48,420,061,605	39,033,387,834
Increase in other liabilities	2,829,194,133	1,842,035,226
<b>Cash used in operations</b>	<b>(5,559,202,231)</b>	<b>(2,696,138,669)</b>
Income taxes paid	(3,014,760,482)	(2,687,362,738)
<b>Net cash used in operating activities</b>	<b>(8,573,962,713)</b>	<b>(5,383,501,407)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	-	1,309,139
Payments for property, plant and equipment	(936,096,394)	(817,129,475)
Proceeds from disposal of property, plant and equipment	6,436,444	7,232,058
Proceeds from redemption of government securities	237,821,800	1,153,513,342
Payments for deferred expenditure	-	(26,152,398)
Payment for investment	(35,249,301)	(197,419,191)
Payment for leasehold land	(2,132,595)	(8,680,938)
Reduction in (Payment for) guarantee deposit	6,121,540,608	(565,184,463)
<b>Net cash generated from (used in) investing activities</b>	<b>5,392,320,562</b>	<b>(452,511,926)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(3,181,642,151)</b>	<b>(5,836,013,333)</b>
Cash and cash equivalents at the beginning of the year	8,334,036,889	14,170,050,222
<b>Cash and cash equivalents at the end of the year</b>	<b>5,152,394,738</b>	<b>8,334,036,889</b>
<b>Cash and cash equivalents comprise</b>		
Cash in hand	3,695,181,986	3,066,126,703
Balances with National Bank of Ethiopia	4,649,394,921	1,092,123,685
Placements (due to) with other banks	(2,615,586,734)	4,714,094,426
Government Securities	235,579,942	387,415,932
Deposits due to other banks	(812,175,377)	(925,723,857)
	<b>5,152,394,738</b>	<b>8,334,036,889</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.

36 INTEREST INCOME	2015 Ethiopian Birr	2014 Ethiopian Birr
Loans and advances	8,713,238,189	6,616,249,482
Corporate bonds	6,467,176,163	4,714,335,929
Coupon bonds	1,454,702,642	451,251,903
Placements with other banks	119,585,540	184,323,160
Government bonds	16,026,847	30,427,490
	<b>16,770,729,381</b>	<b>11,996,587,964</b>
37 INTEREST EXPENSE		
Customers' deposits	4,802,909,584	3,396,449,606
Deposits from other banks	81,957,077	4,562,706
Others	2,553	35,192,054
	<b>4,884,869,214</b>	<b>3,436,204,366</b>
38 NON INTEREST INCOME		
Commission	2,759,959,647	2,788,927,113
Service and transaction fees	956,626,970	1,065,669,607
Collection from provision held	24,113,098	8,360,857
Write back of creditors' accounts	21,484,006	9,742,226
Rental income	14,322,837	17,948,327
Gain on disposal of property, plant and equipment	6,205,669	6,924,904
Dividend income	-	1,309,139
Other income	274,393,583	253,926,105
	<b>4,057,105,810</b>	<b>4,152,808,278</b>
39 NON INTEREST EXPENSES		
Salaries and employee benefits	3,081,208,988	2,405,187,978
Depreciation	347,544,170	246,481,085
Office rent	249,314,754	170,897,966
Advertising and publicity	141,932,639	72,026,081
Stationery and office supplies	105,797,416	105,614,886
Electronic data processing	77,485,156	56,455,998
Postage and telephone	60,686,888	67,657,834
Repairs and maintenance	45,896,743	34,912,190
Travel	34,765,191	32,696,059
Service charges	29,328,557	28,534,998
Insurance	25,351,919	27,087,030
Motor vehicle running	19,745,727	19,010,511
Water and electricity	11,277,849	14,530,553
Legal and consultancy fees	4,547,133	17,316,379
Land and building taxes	1,945,093	1,384,677
Audit fee	972,786	460,000
Board fees	325,509	289,250
Loans and advances written off	-	286,536
Miscellaneous	462,775,911	234,570,176
	<b>4,700,902,429</b>	<b>3,535,400,187</b>

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

40 TAXATION	2015 Ethiopian Birr	2014 Ethiopian Birr
(a) Profit and loss account - Income tax expense		
Current taxation based on the adjusted profit for the year at 30%	3,929,910,309	3,014,760,482
Deferred tax in respect of the current year	[14,611,815]	[13,208,252]
	<b>3,915,298,494</b>	<b>3,001,552,230</b>
(b) Tax expense computation		
Net profit before taxation	<b>12,662,404,386</b>	<b>9,686,054,834</b>
Add: Disallowed expenses		
Provision for doubtful debts write off	541,478,442	538,043,302
Depreciation	347,544,170	246,481,085
Amortization	42,924,718	40,025,483
Entertainment and donations	6,837,640	5,496,611
	938,784,970	830,046,481
	<b>13,601,189,356</b>	<b>10,516,101,315</b>
Less: Allowed expenses		
Depreciation	318,161,668	(219,543,962)
Amortization	17,169,887	(16,010,193)
	335,331,555	(235,554,155)
	<b>13,265,857,801</b>	<b>10,280,547,160</b>
Less: Income not to be included in taxable profit		
Income taxed at source or exempt	135,612,388	(216,059,790)
Bad debt recovered	24,113,098	(8,360,857)
Gain on disposal of property, plant and equipment	6,431,286	(6,924,905)
	<b>166,156,772</b>	<b>(231,345,552)</b>
Taxable profit	<b>13,099,701,029</b>	<b>10,049,201,608</b>
Current tax payable - Income tax at 30%	<b>3,929,910,309</b>	<b>3,014,760,482</b>
Deferred tax	[14,611,815]	[13,208,252]
Tax expense	<b>3,915,298,494</b>	<b>3,001,552,230</b>
(c) Reconciliation of tax expense to the expected tax based on accounting profit		
Net profit before taxation	<b>12,662,404,386</b>	<b>9,686,054,834</b>
Tax at the applicable rate of 30%	3,798,721,316	2,905,816,450
Tax effect of expenses not deductible for tax purposes	281,635,491	249,013,944
Tax effect of allowed expenses	[100,599,467]	[70,666,247]
Tax effect of income taxed at source or exempt	[49,847,031]	[69,403,666]
Current tax payable	3,929,910,309	3,014,760,482
Deferred tax	[14,611,815]	[13,208,252]
Tax expense	<b>3,915,298,494</b>	<b>3,001,552,230</b>



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

40 TAXATION (Continued)	2015 Ethiopian Birr	2014 Ethiopian Birr
(d) Balance sheet - Tax payable		
At the beginning of the year	3,014,760,482	2,687,362,738
Paid during the year	(3,014,760,482)	(2,687,362,738)
Current year tax payable	3,929,910,309	3,014,760,482
	<b>3,929,910,309</b>	<b>3,014,760,482</b>
(e) Current tax rate		
The current tax rate is 30%.		
(f) Tax assessments and audits		
No audit by the tax authority has been conducted.		

41 CASH	2015 Ethiopian Birr	2014 Ethiopian Birr
Cash on hand	3,695,181,986	3,066,126,703
Cash reserve with National Bank of Ethiopia	11,738,379,900	9,918,379,900
Payment and settlement account with National Bank of Ethiopia	4,649,394,921	1,092,123,685
	<b>20,082,956,807</b>	<b>14,076,630,288</b>

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

42 GOVERNMENT SECURITIES	2015 Ethiopian Birr	2014 Ethiopian Birr
On demand	213,372,593	115,208,582
Maturing within 90 days	22,207,349	272,207,350
Maturing after 90 days and within one year	105,894,235	-
Maturing after one year	896,544,420	1,240,260,455
	<b>1,238,018,597</b>	<b>1,627,676,387</b>

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

43 COUPON BONDS	2015 Ethiopian Birr	2014 Ethiopian Birr
Maturing after 90 days and within one year	10,796,161,364	5,905,162,309
Maturing after one year	13,795,488,471	11,831,922,565
	<b>24,591,649,835</b>	<b>17,737,084,874</b>

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.

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

44 CORPORATE BONDS	2015 Ethiopian Birr	2014 Ethiopian Birr
Ethiopian Electric Power	93,200,000,000	65,200,000,000
Ethiopian Electric Utility	21,900,000,000	21,900,000,000
Ethiopian Railway Corporation	13,000,000,000	5,300,000,000
	<b>128,100,000,000</b>	<b>92,400,000,000</b>
45 PLACEMENTS WITH OTHER BANKS		
Due within 90 days	(2,615,586,734)	4,691,721,526
Due over 90 days	6,262,368,040	12,406,281,548
	<b>3,646,781,306</b>	<b>17,098,003,074</b>
46 LOANS AND ADVANCES TO CUSTOMERS		
Term and merchandise loans	94,199,264,472	76,781,496,048
Advances on import and export bills	13,145,106,854	8,050,117,638
Overdrafts	3,630,327,618	4,445,426,700
	110,974,698,944	89,277,040,387
Less: Provision for impairment losses	2,943,049,158	2,403,386,933
	<b>108,031,649,786</b>	<b>86,873,653,454</b>
Repayable		
on demand	5,297,583,722	13,488,989,833
within one year	24,341,689,979	9,579,480,438
within one to five years	16,112,040,299	6,781,916,809
within periods exceeding five years	62,280,335,786	57,023,266,374
	<b>108,031,649,786</b>	<b>86,873,653,454</b>
47 INVESTMENTS IN SUBSIDIARIES		
Commercial Nominees PLC		
(25,992 shares at Birr 1,000 each) (93.4% participation)	25,992,000	25,992,000
Additional contribution awaiting share allotment	102,960,297	98,903,962
	<b>128,952,297</b>	<b>124,895,962</b>
Commercial Bank of Ethiopia, South Sudan Limited (100% ownership)	312,723,055	312,723,055
	<b>441,675,352</b>	<b>437,619,017</b>
These investments are stated at cost.		
48 OTHER INVESTMENTS		
Ethswitch SC (11,370 shares at Birr 1,000 each)	11,370,000	5,030,000
African Export Import Bank (245 shares of USD 10,000 each)	29,098,497	4,245,531
S.W.I.F.T. SCRL (12 shares of EURO 125 each)	244,114	244,114
Gelately Hankey and Company (8,625 shares of Birr 10 each)	85,937	85,937
	<b>40,798,548</b>	<b>9,605,582</b>
49 DEFERRED TAX ASSET / LIABILITY		
Difference in the tax base of property, plant and equipment and their value for accounting purposes.		



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

50 OTHER ASSETS	2015 Ethiopian Birr	2014 Ethiopian Birr
Interest receivable	5,511,664,718	3,236,622,245
Ministry of Finance and Economic Development	1,230,978,839	1,206,841,999
Prepaid office rent	764,506,948	444,544,440
Foreign receivables	661,603,383	1,244,148,406
Purchases in progress	660,534,245	-
Stationery and other supplies	325,119,694	412,507,695
IT expansion project	231,080,002	151,165,565
Acquired properties	145,837,900	153,350,417
Other receivables	334,573,189	223,397,704
	<b>9,865,898,918</b>	<b>7,072,578,471</b>
Less: Provision for doubtful debts	195,470,195	204,933,950
	<b>9,670,428,723</b>	<b>6,867,644,521</b>

51 INTANGIBLE ASSETS	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>COST</b>		
Core Banking Software	111,342,473	111,342,473
Card Banking Software	16,862,606	16,862,606
Infrastructure and IT	32,658,062	32,658,062
Smart Banking Software	3,195,582	3,195,582
	<b>164,058,723</b>	<b>164,058,723</b>
<b>AMORTIZATION</b>		
Balance at 30 June 2014	76,487,667	36,462,183
For the year	42,924,719	40,025,484
	<b>119,412,386</b>	<b>76,487,667</b>
	<b>44,646,337</b>	<b>87,571,056</b>

52 PROPERTY AND EQUIPMENT	Balance at 30 June 2014 ETB	Additions ETB	Transfers Disposals ETB	Balance at 30 June 2015 ETB
<b>COST</b>				
Buildings	368,537,735	3,813,741	55,002,532	427,354,008
Computers and software	567,541,307	180,780,772	[16,227]	748,305,852
Fixtures, fittings and equipment	607,718,243	383,933,403	10,518,135	1,002,169,781
Motor vehicles	434,972,169	103,104,240	[6,796,499]	531,279,910
Work in progress	585,121,631	263,937,649	[65,994,990]	783,064,290
	<b>2,563,891,085</b>	<b>935,569,805</b>	<b>[7,287,049]</b>	<b>3,492,173,841</b>
<b>DEPRECIATION</b>				
Buildings	206,542,993	14,455,637	[211,455]	220,787,175
Computers and software	247,776,639	129,165,760	[16,226]	376,926,173
Fixtures, fittings and equipment	259,647,875	134,423,733	[32,130]	394,039,478
Motor vehicles	299,116,801	69,446,134	[6,796,461]	361,766,474
	<b>1,013,084,308</b>	<b>347,491,264</b>	<b>[7,056,272]</b>	<b>1,353,519,300</b>
<b>NET BOOK</b>	<b>1,550,806,777</b>			<b>2,138,654,541</b>

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

53 CUSTOMERS' DEPOSITS	2015 Ethiopian Birr	2014 Ethiopian Birr
<b>Payable on demand</b>		
Local and Central Government	47,502,359,044	39,122,287,674
Private sector and retail customers	41,339,280,525	35,552,286,675
Public enterprises and agencies	28,703,223,407	26,723,397,813
	<b>117,544,862,976</b>	<b>101,397,972,162</b>
<b>Savings deposits</b>		
Private sector and retail customers	106,162,142,877	78,802,498,176
Public enterprises and agencies	2,212,897,916	2,212,572,112
	<b>108,375,040,793</b>	<b>81,015,070,288</b>
<b>Term deposits</b>		
Public enterprises and agencies	9,143,857,174	8,924,472,428
Private sector and retail customers	4,383,067,210	746,571,040
	<b>13,526,924,384</b>	<b>9,671,043,468</b>
<b>Interest-free banking</b>		
All Sectors	1,248,452,046	191,132,676
	<b>240,695,280,199</b>	<b>192,275,218,594</b>

54 OTHER LIABILITIES	2015 Ethiopian Birr	2014 Ethiopian Birr
National Bank of Ethiopia	13,134,843,807	12,923,745,220
Margin accounts and deposits for guarantees	10,247,212,872	6,744,340,108
CPO's, telegraphic transfers and money transfers	2,575,080,354	2,476,244,350
Inter-branch clearing	1,253,792,457	1,746,026,909
Blocked accounts	464,324,771	475,217,077
Accrued leave pay	212,408,235	168,035,628
Other taxes	118,178,148	87,750,995
Unearned income	39,895,777	-
Pension contributions	22,673,589	15,518,430
Miscellaneous	1,205,565,583	1,829,386,749
	<b>29,273,975,593</b>	<b>26,466,265,466</b>



Notes



የኢትዮጵያ ንግድ ባንክ  
COMMERCIAL BANK OF ETHIOPIA



Forex ATM



Mobile Banking



Internet Banking



Visa Cards



POS

and many more...

**All Under One Roof**

Gambia Street, P.O.Box 255, Addis Ababa, Ethiopia  
Tel : 251-11-551 50 04, Telegram : ethiobank SWIFT Code: CBETETAA  
Fax: 251-11-551 45 22, 251-11-122 8966  
E-mail: [cbecomu@combanketh.et](mailto:cbecomu@combanketh.et)  
Website : <http://www.combanketh.et>