



# OROMIA INTERNATIONAL BANK S.C.



**ANNUAL REPORT**  
**JULY 2011 - JUNE 2012**

*Peoples' Bank!*



OROMIA INTERNATIONAL BANK S.C

# OROMIA INTERNATIONAL BANK S.C. HEADQUARTERS



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## *Vision*

“To be The Bank of Your First Choice”

## *Mission*

“We are committed in providing full-fledged and best quality commercial banking services within the pertinent regulatory requirement with due diligence to sustainable business while empowering the missing middle and discharging social responsibility by engaging highly qualified, skilled, motivated and disciplined employees and state-of-the- art information technology, adding real value to the shareholders interest and win the public trust.”

## *Core Values*

-  We value persistence, endurance and tenacity,
-  We value customer satisfaction,
-  We value transparency, integrity and confidentiality,
-  We uphold team spirit and grooming potential successor,
-  We value respect,
-  We value competitive and motivated human resource with ever growing skills,
-  We promote a learning and innovative organization,
-  We value belongingness,
-  We uphold corporate citizenship,

## *MOTTO*

PEOPLES' BANK!



## BOARD OF DIRECTORS



**Obbo Abera Tola**  
Board Chairman



**Dr. Girma Amente**  
Member



**Prof. Endashaw Bekele**  
Member



**Obbo Bulbula Tulle**  
Vice Chairman



**Dr. Likissa Dinsa**  
Member



**Eng. Abera Bekele**  
Member



**Dr. Hirut Terefe**  
Member



**Dr. Wakgari Furi**  
Member



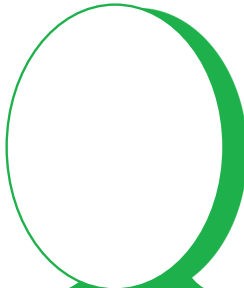
**Obbo Tariku Negera**  
Member



**Obbo Gossa G.S. Oda**  
Member



**Obbo Raya Abagodu**  
Member



**Jimma University**  
Member



**Obbo Eshetu Erena**  
Board Secretary



## 1. Message of the Board Chairman

Our distinguished shareholders, guests of honor and OIB employees, thank you for coming and welcome to our third general assembly meeting. In accordance to the directives of the NBE and our own guideline, OIB's Board of Directors hereby present its annual report to the assembly of its shareholders for the operational year beginning July 1<sup>st</sup> 2011 ending June 30<sup>th</sup> 2012.

The year 2011/12 was another successful year for OIB. We have demonstrated result based leadership to meet our strategic objective and deliver on our annual plan. The Board and management have worked together harmoniously and confidently. Accordingly, we were able to raise our paid up capital from Birr 235.2 million in 2010/11 to Birr 374.6 million in 2011/12, our deposit from Birr 1.53 billion to Birr 2.12 billion, deposit accounts from 50.5 thousand to 90.1 thousand, staff from 776 to 1,086, loans and advances from 654.7 million to Birr 1.02 billion. The number of branches



also increased from 36 to 45. As a result of our concerted endeavor, relentless effort of our employees and esteemed customers, OIB is able to realize a profit of Birr 65.2 million before tax.

The existence and profitability of our Bank always depends on its leadership. Strong inspired and committed leadership which can stand united and lead the Bank during difficult times encountered from internal and external forces. The Board and the Management have relied on core values of the Bank to guide and make strategic decisions and follow up the day to day operations of the Bank. As our shareholders know and understand, the year 2011-12 was a very challenging year for all private financial institutions, particularly for OIB, which was aspiring and striving to emerge as a strong and reliable financial institution in the coming five years. Our challenges are mainly coming from the external environment related to the macro-economic situation, which includes high inflation, the slow rate of recovery of the global financial crisis, underperformance in the export market, shortage of foreign currency and loanable fund. The National Bank Bill has continued sapping and exhausting our limited deposit. As to date, the bill has reached about half a billion and has created a liquidity problem to the Bank. In order to withstand this challenge, manage circumstances and continue to operate, we were compelled to borrow money in higher rates from other banks and individual customers. Internally, high staff turnover, limited human capital in the market, price escalation of relevant items for our operation and others were some among many challenges we have encountered.

This budget year, the Board has held 21 regular meetings, 80 sub-committee meetings and hundreds of informal subcommittee meetings. During these meetings, important and critical issues were raised and addressed-hard and smart decisions were made. To meet our own plans and comply with regulatory requirements, the management has produced and the board has reviewed and approved about 24 major documents including policy, procedure, guidelines, strategy and others only within the ended fiscal year the details of which is included in the report. The sub-committees of the Board, which include the Business Development and Credit, the Risk Management and Compliance, the Audit, and the Human Resource, IT and procurement Committees were instrumental for achieving these amazing results.



The Board has also made important decisions to diversify its investment. We invested substantial amount in Tsehaye Industry S.C. The headquarters design and construction process is underway in a very promising manner.

Even though it was relevant and necessary for the smooth operation of the Bank, we have the understanding that we spent more of our time in problem solving and reacting to circumstances than focusing and creating something new and meaningful that we really value. These monotonous problem fixing activities of the Board and senior management for the entire year had dissipated the energy, reduced the enthusiasm, tested the commitment and perseverance needed to thrive OIB to a higher level of our anticipation.

In spite of all the challenges encountered during this fiscal year, the Board and Management are delighted by the result OIB has achieved this year. The success and achievement of OIB can be attributed to our customers, particularly to distinguished personalities who have trust and conviction in what we do and who we are and who deeply believed in us that we can make a difference in this sector. They put tens of millions of Birr in our Bank, brought their friends and partners to know and do business with us, they spoke about us with full confidence and authority. We cherish their allegiance and always respect them for their commitment. Profit can be a one good indicator or objective for our operation or investment in OIB. However, the mission of OIB and one of its success factors is measured by the number of people, particularly the missing middle; it has lifted to a higher level. A number of hard working men and women have benefited from the existence of OIB and have changed their life for the better.

Finally, the OIB Board of Directors and Management would like to maintain harmonious and respectful working relationship between OIB and the NBE. We will continue to play a dignified and meaningful role in the sector. We will pursue in our commitment to protect the interest of our shareholders and leading OIB to a higher and better position. We will continue respecting and listening to our customers and meet their interest. We will continue making OIB, The Bank of Your First Choice.

Thank You

Abera Tola

Chairman of the Board of Directors

November 2012



## MANAGEMENT MEMBERS



**Obbo Teferi Mekonnen**  
V/P Corporate Support Services



**Obbo Abie Sano**  
President



**Obbo Mergia Deriba**  
V/P Operation & RM



**Obbo Berhanu Gonfa**  
Director-Accounting & Treasury



**Adde Adanech Bedada**  
Chief - Internal Audit



**Obbo Meshesha Ayano**  
Director-International Banking Services



**Obbo Tesfaye Basha**  
Director-Information Technology



**Obbo Shiferaw Amenu**  
Director-Legal Services



**Obbo Wolde Bulto**  
Director-Credit Management



**Obbo Gelana Leta**  
Director-Human Resources Management



**Obbo Girma Bersisa**  
Director-Risk Management & Compliance



**Obbo Alemayehu Demise**  
Director-Branch Operations



**Obbo Endale Foye**  
Director-Materials & Services



**Obbo Neway Megersa**  
Director-Planning & Business Dev't



**Obbo Feyera Ejeta**  
Project Manager-Alternative Banking Services





## 2. Message of the President

I feel honored and pleased to address our respected shareholders, esteemed customers, our beloved employees, all stakeholders and colleagues on this historical third annual report to convey a message on behalf of the Management of Oromia International Bank S.C (OIB) and myself.

To start with, I feel it might be noteworthy to recall some of the significant challenges during the fiscal year which we believe affected either directly or indirectly the banking industry during the year under consideration; such as, lingering and exacerbated sovereign debt crisis in the EURO zone and the subsequent volatile movement in global financial markets, the still persisted political turmoil in some of Northern Africa and the Middle East countries, the unprecedented slow growth in emerging economies, and the economic discomforts of the USA accompanied with its high unemployment rate would give all a better global picture in which we had operated.



The problems in advanced economies were followed by different austerity measures taken to save their respective economies, while that of North Africa and Middle East resulted into a rise of global oil price due to short supply. This rise in prices of some strategic goods like fuel oil and other commodities had pushed up the general commodity price of our own country-Ethiopia. The growth of inflation domestically from the already enduring to as high as 40%, at the beginning of the reporting year was mainly attributed to such imported inflation notwithstanding other domestic factors, though it has shown a declining trend since then, quarter on quarter basis.

The domestic business condition was a mixed one. The Growth and Transformation Plan (GTP) which is in its second year of implementation was bringing its business opportunities to the ground for many customers engaged literally in all business sectors. This has created strong demand for banking services of different form. The challenge, however, was the banks were not be able to fully meet the demands for some products such as bank loans due to resource constraint. Fortunately though, NBE lowered the reserve and liquidity requirements in the third quarter of the fiscal year, which somehow, eased the immediate tension of liquidity challenge in the industry.

In the financial year under consideration, some regulatory policy and directives that impact on the banking industry have been enacted. These are; urban land lease holding proclamation, raised requirement of minimum paid-up capital for banks, interest free banking, T-Bills and reporting of cash transactions exceeding Birr 200,000 at a time.

The unpleasant news for the year was that the major export commodity-coffee, did not perform as expected though the production in the year was reportedly better. The reason was due to the decline in coffee price in the global market and weaknesses in the domestic stakeholders in timely exporting the product. The problem has significantly impacted on export earnings of OIB due to its heavy reliance on coffee exporting customers which we shall try to diversify our customer mix forward.

Dear respected stakeholders, despite the challenges, OIB has pursued its mission in all fronts withstanding the challenges from outside and within and continued recording modest successes. OIB's successes are promising because it is not only significant but also it has happened during a prolonged global and regional economic mishaps and hence national challenges.



OIB has recorded 44 successful operational months since it has opened its first door for business on October 25, 2008 after securing business license on September 18, 2008. In this time, our bank has managed to open 45 branches—more than one branch in average every month since then. OIB's record of new history has begun unfolding just in its first year of operation in which it has opened 26 branches only in the first eight months. No other bank in Ethiopia had managed to do that before OIB and nor any new bank has repeated it either. By doing so, the Management of OIB strongly believe that OIB has motivated the banks in Ethiopia, since then, to open more branches and achieved the mission of establishment of OIB—reaching the unbanked society. All may share our views just by looking at the fact that the number of bank branches in Ethiopia as at June 30, 2009 (the date OIB declared the opening of 26 branches and for more than a century of banking history in Ethiopia before OIB) was about 604 branches but this number has more than doubled to 1,246 branches within only three years on June 30, 2012. OIB has also opened nine branches during the ended fiscal year in Finfinne and upcountry including the branch in Hawassa.

The CORE Banking System (CBS) project commissioned in the preceding fiscal year has reached the stage of implementation in the fiscal year. The system was implemented in 16 branches and the Head Office during the fiscal year. This has enabled us to provide Any Branch Banking (ABB) Services and Over The Counter Payments (OTCP) for local money transfer services which is good news to our beloved customers. OIB has created 1,086 job opportunities for citizens of which 310 employed in the ended fiscal year only. The new recruits include 145 fresh graduates who were employed in line with our bank's strategy of grooming its own bankers. The Management has produced, during the year, extraordinarily many policies, procedures, strategic documents and study reports that will lay strong ground for its future businesses.

OIB has managed to raise its total asset to Birr 2.79 billion and paid up capital to Birr 374.6 million, showing a growth of 42% and 59% respectively in this fiscal year. We have also managed to raise the contribution of loans and advances to the total income of the bank from its position of preceding year of 41% to 53% which is a good achievement considering the sustainability of interest income compared to other sources. The overall growth in total income in the period from Birr 153.1 million to Birr 229.3 million is a promising achievement. In fact, the growth in expenses should be given attention to further maximize the modest profit of Birr 65.2 million before tax.

Dear respected stakeholders, I would like to renew our management's commitment using this opportune moment that OIB will be further resilient to any challenges, continue registering more history through coming closer to our customers with better services by always putting at fore our mission of establishment-reaching the unbanked and ultimately achieve our vision *to become The Bank of Your First Choice*.

Our successes would not be as shining as it is now had it not been for the trust and confidence of our more than 100 thousand extremely valued customers, the commitment and loyalty of our beloved employees, the understanding and hands on support of the National Bank of Ethiopia, and the guidance and encouragement of OIB's Board of Directors that I appreciate and owe them all great thanks.

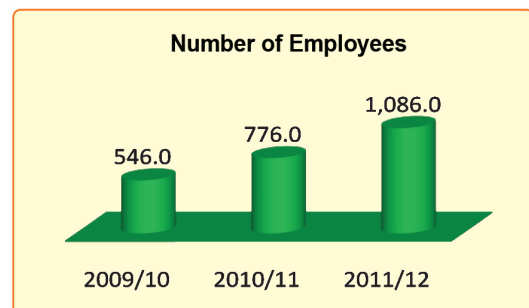
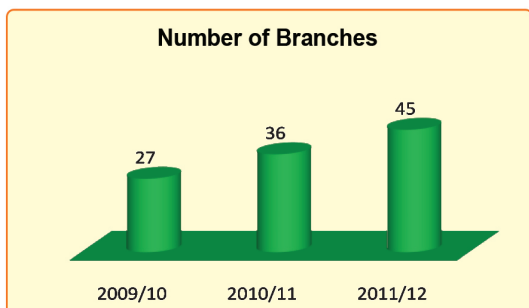
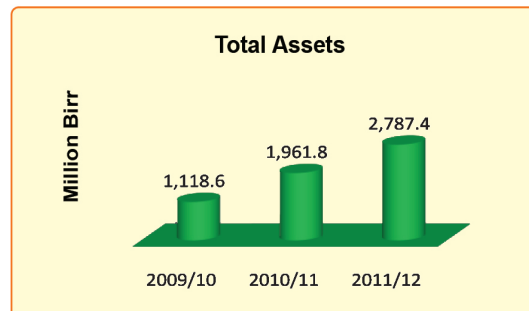
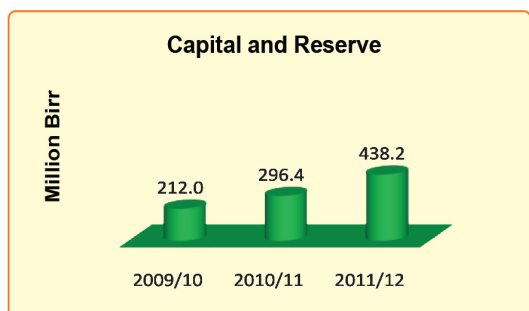
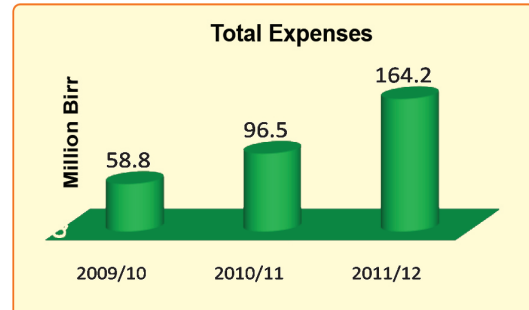
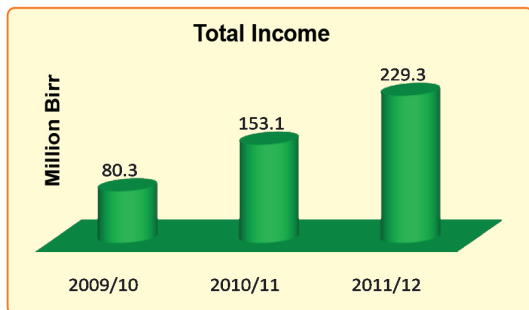
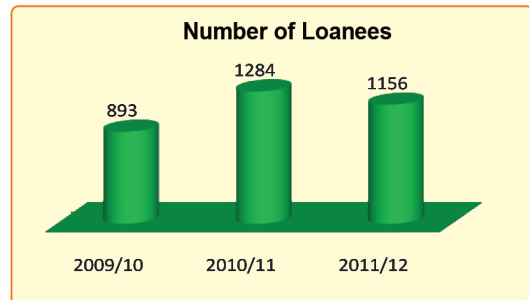
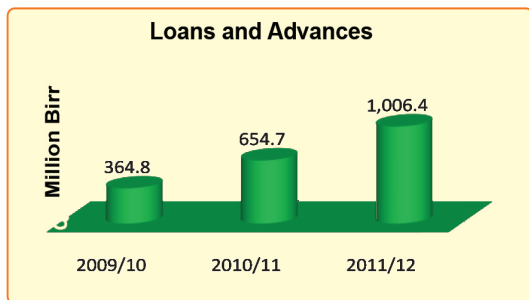
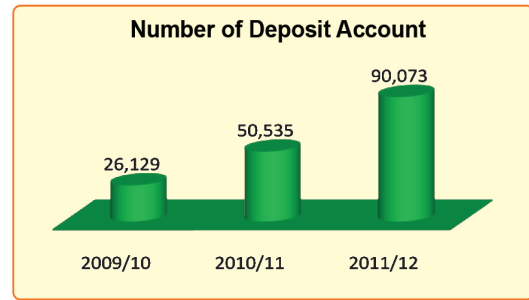
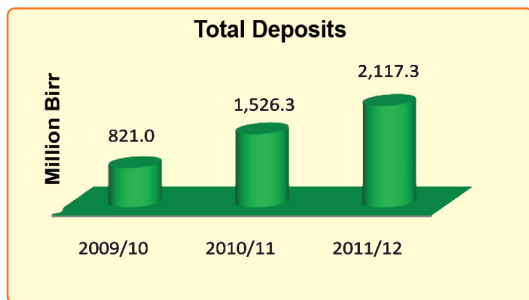
Thank You

Abie Sano  
President

November 2012



## Key Annual Performance Trends of OIB for the Last Three Consecutive Years





# BOARD OF DIRECTORS' REPORT

The Board of Directors of Oromia International Bank S.C hereby presents the annual report of the Bank for the financial year ended 30 June 2012.

## 3. OPERATIONAL PERFORMANCE HIGHLIGHTS

Oromia International Bank S.C. (OIB)'s Management and Board of Directors has drawn its action plan for 2011/12 fiscal year based on its strategic plan that aimed at achieving the OIB's mission of establishment and did everything it could to realize it. The following parts present the major performance levels, the achievements, the challenges encountered, the efforts made to realize OIB's mission in the year ended June 30, 2012, and major business directions to be pursued in the future.

### 3.1. Deposit Mobilization

As a business that determines the growth of any commercial bank, OIB has been seriously working on deposit mobilization. The total number of bank branches in Ethiopia have doubled from where it was at the time when OIB declared that it has opened 26 branches in only eight months of its first year operation. This and other macroeconomic policies have made the competition for deposit mobilization rather a true cutthroat. Despite the challenges, total deposits of OIB as of June 30, 2012 has reached Birr 2.12 billion with a growth of 39% or Birr 591 million from the preceding year's position. What is more encouraging is that the lion's share of the growth is attributed to the increase in savings (51%) and demand (36%)—the most preferred products for its stability and cost effectiveness showing further improvement in OIB's deposit mix. OIB's such a deposit growth under a given environment is, therefore, a reflection of strong public confidence in the Bank as usual. Nevertheless, still the share of fixed time deposit is significant that it caught the Management's attention for further reduction.

Table 1: Breakdown of Deposit by Type

(In thousands of Birr)

ITEM	2011/12	% Share	2010/11	% Share	Growth	
					Absolute	Percentage
Demand Deposits	814,857	38%	599,925	39%	214,932	36%
Savings Deposits	968,519	46%	643,010	42%	325,509	51%
Fixed Time Deposits	333,921	16%	283,384	19%	50,537	18%
<b>Total Deposits</b>	<b>2,117,297</b>	<b>100%</b>	<b>1,526,319</b>	<b>100%</b>	<b>590,978</b>	<b>39%</b>



Chart 1: Breakdown of Deposit by type as of June 2012

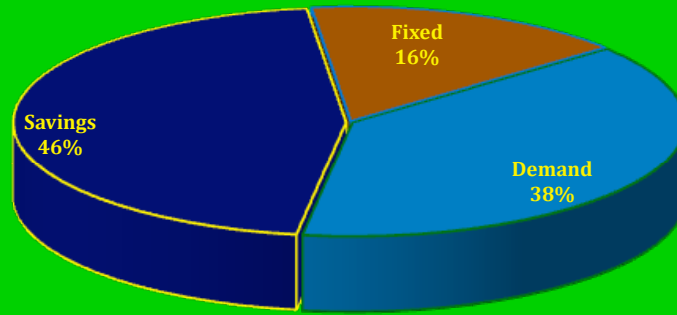
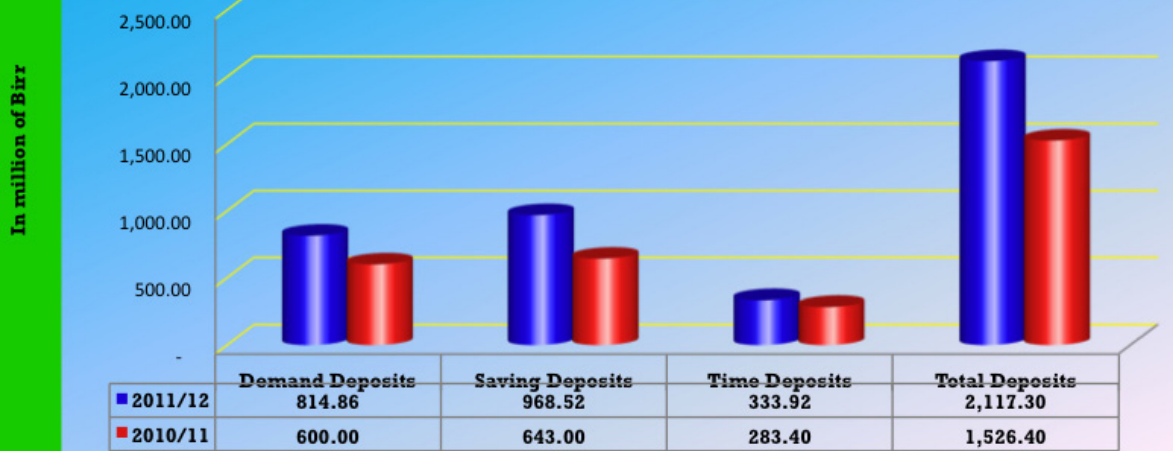


Chart 2: Comparative Distribution of Deposits by Type



### 3.2. Loans and Advances

Loans and advances are presumed to be the most sustainable sources of income for Banks. It is also a major source of loan loss risk in case it is not properly managed. That is why OIB has worked hard to increase its loans and advances by 54% in the just ended fiscal year and passed a threshold of one billion Birr. The loan is also well diversified into different sectors so as to minimize the possible concentration risk in case there is any adverse economic developments. The changes in loan exposure to all sectors are marginal and positive except three sectors that have shown significant changes. The share in transport and communication has shown reduction as a result of our effort to reduce it while our exposure to construction sector has shown a significant growth indicating the opportunities in the sector. The other sector that has exhibited major growth is the loan to financial institutions which we have granted to microfinance institutions for their on-lending to micro and small enterprises in a bid to address the OIB's core mission of establishment. Nevertheless, the net loans and advances to deposit ratio at the end of the current financial year is still only 48% though it has shown some improvement from 43% of the preceding year.



Table-2: Loans and Advances by Economic Sector

(In millions of Birr)

Economic Sector	30/06/12		30/06/11		Growth	
	Value	% Share	Value	% Share	Absolute	Percentage
Agriculture	17.2	2%	16.2	2%	1.0	6%
Industry	71.5	7%	61.1	9%	10.4	17%
Domestic Trade and Services	308.7	30%	214.2	32%	94.5	44%
Export	161.6	16%	124.0	19%	37.6	30%
Import	102.4	10%	45.5	7%	56.9	125%
Transport & Communication	52.1	5%	71.8	11%	(19.7)	-27%
Hotel and Tourism	67.0	7%	52.7	8%	14.3	27%
Construction	176.7	17%	61.8	9%	114.9	186%
Mines, Power & Water Resource	4.9	0.5%	5.4	1%	(0.5)	-9%
Financial Institution	42.7	4.2%	0.6	0%	42.1	7017%
Personal	14.9	1%	8.3	1.3%	6.6	80%
<b>Total</b>	<b>1,020</b>	<b>100%</b>	<b>662</b>	<b>100%</b>	<b>358.1</b>	<b>54%</b>

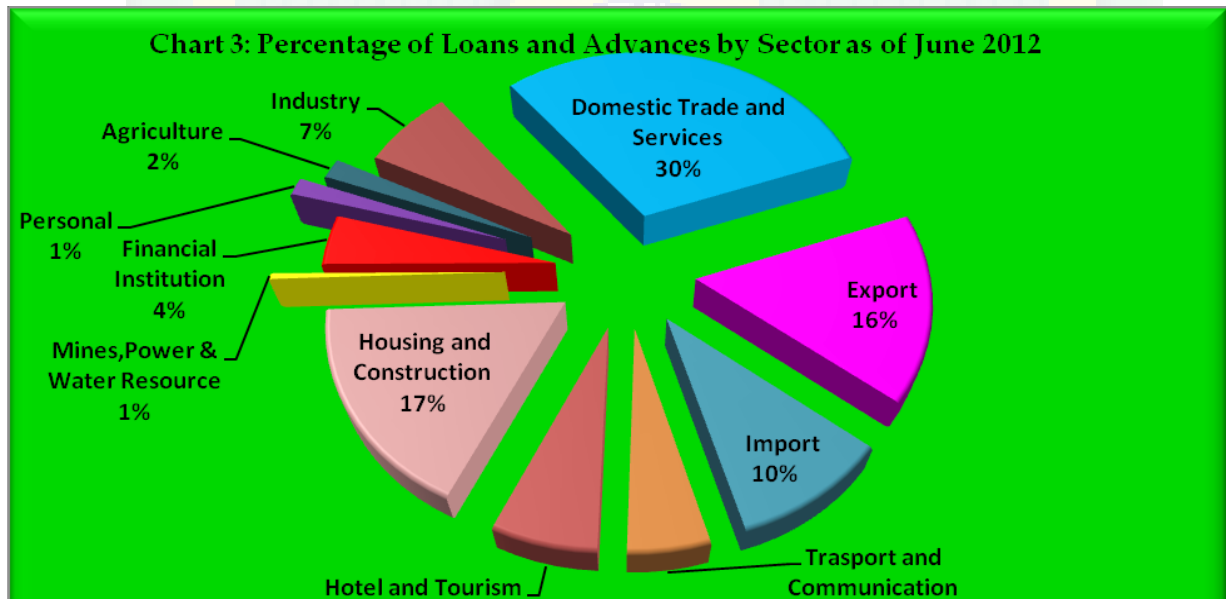
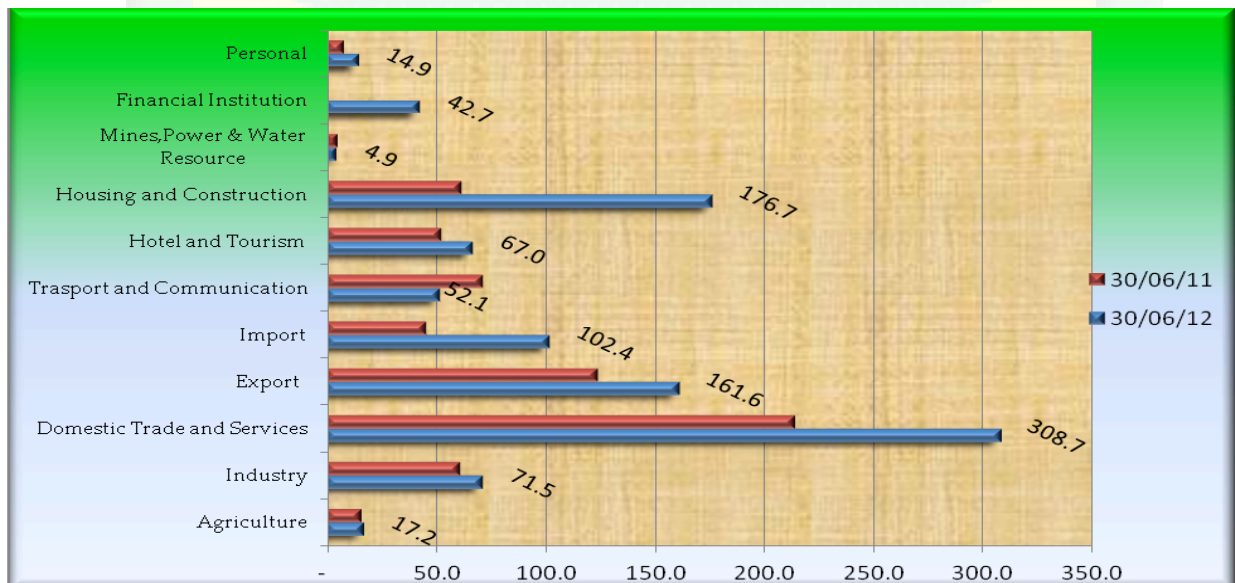


Chart 4: Loans and Advances by Economic Sector





### 3.3 Foreign Currency Mobilization

OIB has mobilized equivalent to USD 95.5 million foreign currency in the year ended June 30, 2012 exhibiting a growth of 53% or USD 33.13 million compared with the preceding financial year. Remittance 46%, Export 36%, Forex Dealing 16% and cash purchase 2% were the sources and their respective contribution of the mobilized asset. The extraordinary growth in Forex dealing was due to the unusual opportunity created in the interbank foreign exchange market in the period following NBE's decision to supply some excess foreign exchange and further supply by some other banks. The relative unsatisfactory growth in earning from export is mainly attributable to the weak performance of coffee export in the period and OIB's heavy reliance on coffee exporters.

Table-3: Sources of Foreign Currency in USD

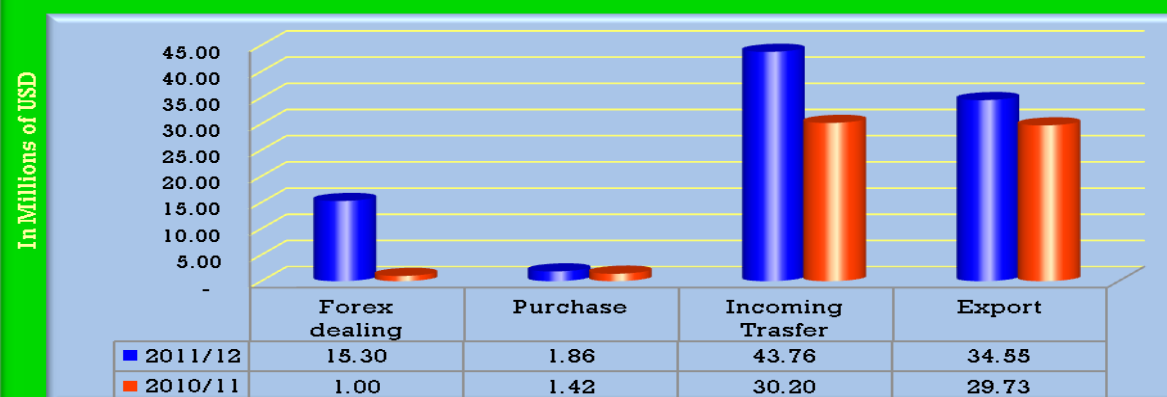
(In millions of USD)

No	Item	30/06/2012	% Share	30/06/2011	% Share	Growth	
						Absolute	% Growth
1	Forex dealing	15.30	16%	1.00	2%	14.30	1430%
2	Cash Purchase	1.86	2%	1.42	2%	0.44	31%
3	Remittance	43.76	46%	30.20	48%	13.56	45%
4	Export	34.55	36%	29.73	48%	4.82	16%
	<b>Total</b>	<b>95.48</b>	<b>100%</b>	<b>62.35</b>	<b>100%</b>	<b>33.13</b>	<b>53%</b>

Chart 5: Compositions of Foreign Currency Generation by Origin as of June 2012



Chart 6: Comparative Mobilization of Foreign Currency





## 4. FINANCIAL PERFORMANCE

### 4.1 INCOME

The OIB earned an aggregate income of Birr 229.3 million during the 2011/12 financial year, registering an increase of 50% compared with the preceding year same period performance. The more encouraging fact is that interest income exhibited 97% growth and took the lion's share of the growth in revenue followed by commission and service charges that grew by 59%. Moreover, Interest Income constitutes 53% of total income followed by Commission and Service Charges 31%, Gain on Foreign Currency Dealings and Holdings 14% and other income 2% for the year ended June 30, 2012, indicating the OIB's move to more sustainable sources of income as compared to the preceding year. The decline in income from Gain on Foreign Currency Dealings and Holdings is attributable to the preceding year's extraordinary gain due to devaluation and the reporting year's volatility of EURO following the economic crisis in EURO zone.

Table-4: Income and Its Composition For The Financial Year ended June 30,2012 *In thousands of Birr*

Item	30/06/12	% Share	30/06/11	% Share	Growth	
					Absolute	Percentage
Interest Income	122,432	53%	62,081	41%	60,351	97%
Gain on foreign Dealings	32,355	14%	43,037	28%	(10,682)	-25%
Com. and Service charges	70,520	31%	44,385	29%	26,135	59%
Other Income	4,026	2%	3,640	2%	386	11%
<b>TOTAL INCOME</b>	<b>229,333</b>	<b>100%</b>	<b>153,143</b>	<b>100%</b>	<b>76,190</b>	<b>50%</b>

Chart 7: Composition of Income for the Year ended June 30, 2012

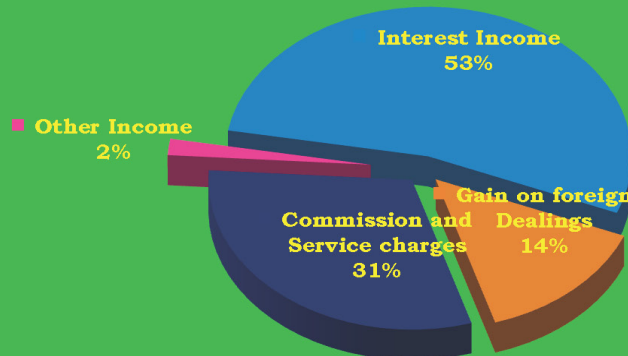
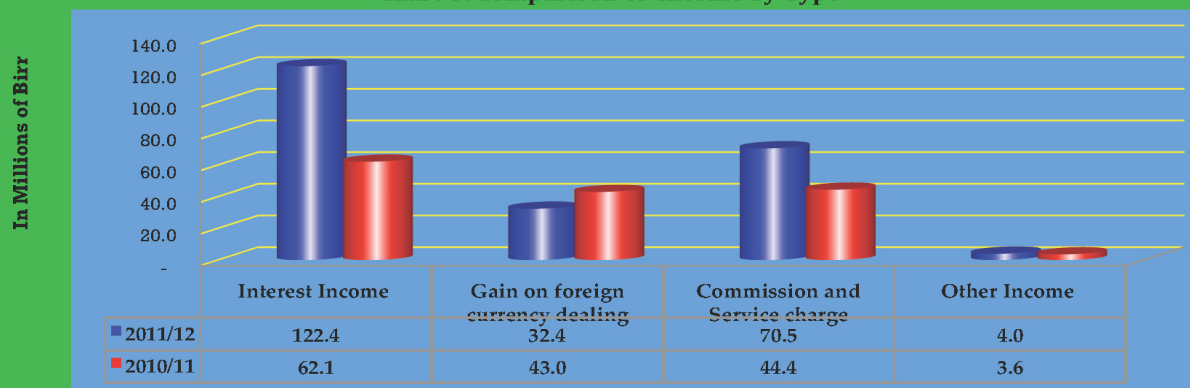


Chart 8: Comparison of Income by Type







## 4.2 Income From International Banking Operations

International banking service is the important income generating function of the OIB. It has generated a total income of Birr 91.1 million, accounting for about 39% of the total income of the Bank for the year ended June 30, 2012. Though still high, the function's contribution to OIB's total income has declined from its preceding position of more than 51%. This is due to relative over performance by domestic banking operations such as lending and slower growth of the international banking services for the reasons mentioned elsewhere. The closer look at constituents of income from international banking services show a promising development as Commission and Services charges overtaken the significance of income from unsustainable source—gain from forex dealings and holdings as the share of the former has grown from 43.5% to 57.9% while that of the later declined from 56% to 40.9% compared to the preceding year.

Table 5: International Banking Service Income (In thousands of Birr)

S/No	Items	30/06/2012	% Share	30/06/2011	% Share	Growth	
						Absolute	% Growth
1	Commission and Service Charges	52,770	57.9%	34,088	43.5%	18,682.00	54.8%
2	Interest on AIB	1,061	1.2%	396	0.5%	665.00	167.9%
3	Gain on Forex Dealing and Holdings	37,249	40.9%	43,831	56.0%	(6,582.00)	-15.0%
	<b>Total Revenue</b>	<b>91,080</b>	<b>100%</b>	<b>78,315.00</b>	<b>100%</b>	<b>12,765.00</b>	<b>16%</b>

\* Advance On Import Bill (AIB)

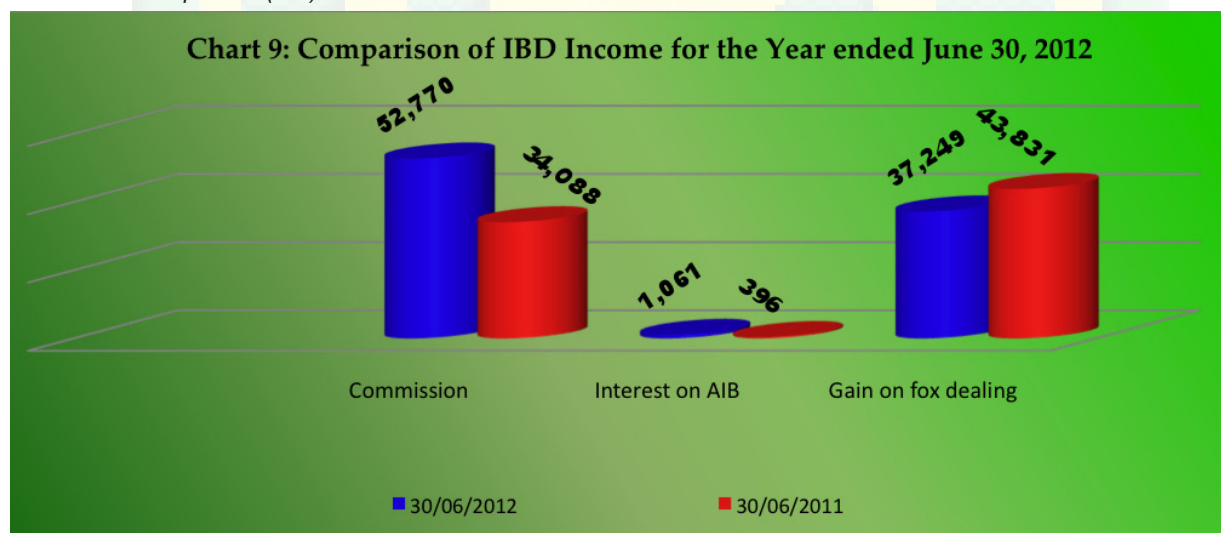
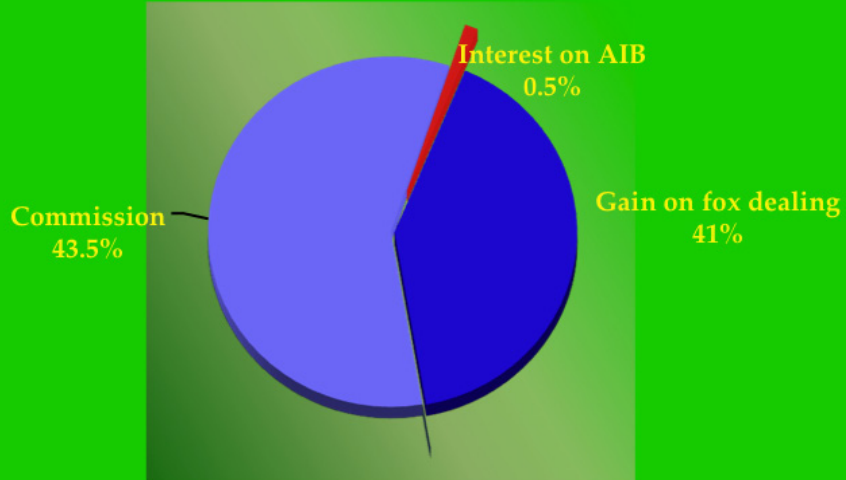




Chart 10: Composition of IBD Income by Type



### 4.3 EXPENSE

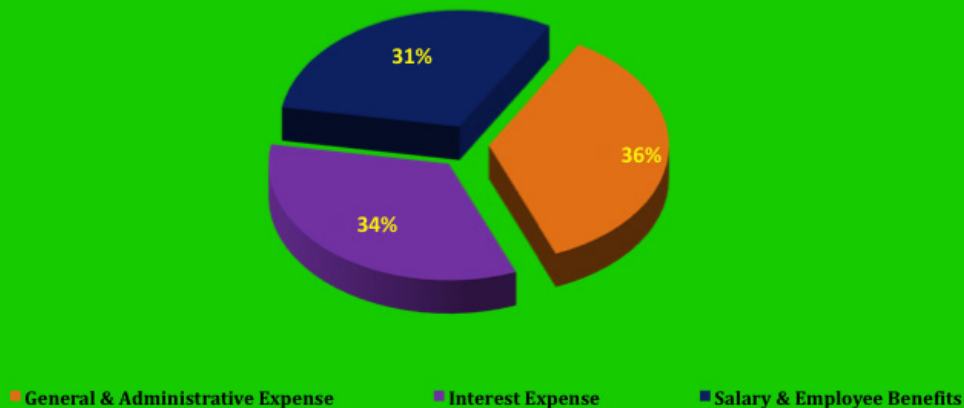
The total expenses of the Bank, including provision for doubtful loans for 2011/12 financial year reached Birr 164.2 million. It exceeded that of the preceding year balance by Birr 67.7 million or 70%. Out of the total expenses, General and Administrative expense constituted 35.5% followed by interest paid on deposits of 33.5% and salaries and benefits 31% during the financial year under review.

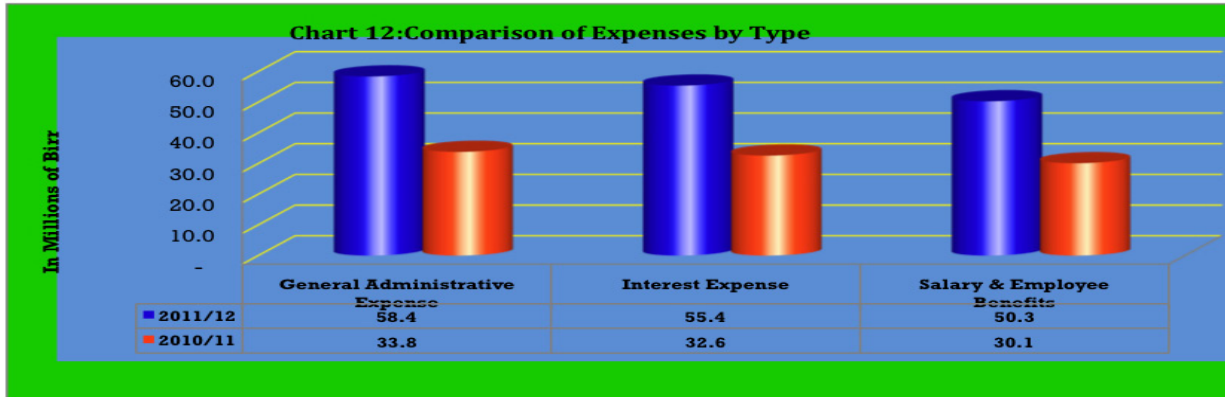
Table-6: Composition of Expenses by Type

(In thousands of Birr)

ITEM	30/06/12	% share	30/06/11	% share	Growth	
					Absolute	Percentage
General & Administrative Expense	58,440	35.5%	33,806	35.0%	24,634	73.0%
Interest Expense	55,395	33.5%	32,571	34.0%	22,824	70.0%
Salary & Employee Benefits	50,334	31.0%	30,077	31.0%	20,257	67.0%
<b>TOTAL EXPENSES</b>	<b>164,169</b>	<b>100.0%</b>	<b>96,454</b>	<b>100.0%</b>	<b>67,715</b>	<b>70.0%</b>

Chart 11: Composition of Expenses for the Year ended June 30, 2012





Most expense items recorded significant growth parallel with the trends of business activities during the period under review and the major cause of the increase in expenses is the growth in business volume while the remainder is due to different factors. Accordingly, interest expense has increased by Birr 22.8 million or 70% over the preceding year level. This is because of the substantial growth in interest bearing deposits during the financial year. The expenses for salaries and benefits also grew by Birr 20.3 million or 67% mainly due to increase in number of employees and raise in salary during the period under consideration. Likewise, the rise in General and Administrative expenses by Birr 24.6 million or 73% is attributable to the increase in the volume of the Bank’s operational activities in general and increase in depreciation and amortization due to increased fixed assets, increase in provisions due to increase in loans and advances, increase in broad band connection and service fees as a result of Core Banking System Implementation, increase in office rent expenses due to increase in office space and rate for Head Office and branches, increase on losses on foreign exchange due to losses on EURO owing to its volatility and increase in materials and services expenses due to increase in general price of many materials and services acquired were the causes in particular.

#### 4.4 PROFIT

Given the prevailing business conditions and the ups and downs, we have managed to successfully pass through the challenges with a promising strategic foundation we have put in place for future successes; we would like to celebrate a modest profit earned in our third year of profitable performance ended June 30, 2012. The OIB’s net profit before tax and after tax for the year ended June 30, 2012 stood at Birr 65.2 million and Birr 45.1 million, respectively.

#### 4.5 RETURN ON ASSETS AND PAID-UP CAPITAL

The OIB’s Return on Assets (ROA) (the ratio of profit before tax to average assets) is 3% for the financial year 2011/12, while the return on equity (ratio of profit before tax to average total capital employed) is 17% for the same period. The net profit margin (Net profit after tax divided by total income) is 20% for the year just ended June 30, 2012 and earnings per share (net profit divided by average number of shares outstanding) is Birr 147.88. This means, a share with par value of Birr one thousand earned a return of Birr 147.88 for the financial year 2011/12. This is a great achievement given the age of OIB, the social development conscious of our strategies, and different macroeconomic challenges that our bank has been facing since its formation.



## 4.6 DISTRIBUTION OF NET PROFIT

After making appropriate deductions (operation and business profit tax) from gross profit earned during the fiscal year, Oromia International Bank S.C. was able to generate a net profit of Birr 45.1 million. The Board of Directors, therefore, requests the General Meeting of Shareholders to accept, Birr 11.27 million to be kept in the legal reserve as per Proclamation No. 592/2008 Art 19 (1) and the remaining amount of Birr 33.3 million for individual capital raising.

## 5. CAPACITY BUILDING

### 5.1 HUMAN RESOURCES

OIB has managed to create job opportunities for 1,086 employees up to the end of June 2012 registering a growth of 40% (310 new employees) from the preceding year. Our Bank pursues a unique strategy of creating its own future bankers by employing and grooming fresh university graduates. As a result, human resource development is one of the prime concerns of the Bank. To this end, during the period under consideration, 1,178 employees were trained on different topics to cope with the ever changing business environment as well as to provide efficient banking services to our customers. Therefore, OIB is in line with its objectives of building the nation through creating significant employment opportunities especially to the youths and developing professional bankers for the banking industry.

### 5.2 INFORMATION TECHNOLOGY

OIB has strong conviction from the beginning that investing on information technology should be a must not an option as it goes beyond enabling banks. Accordingly, we have drawn a strategy that enable OIB to get the most out of the benefits of information technology and commissioned a project named as Core Banking System acquisition and implementation project. The project embraces the base core banking system, the interest free banking system (Islamic Banking), the mobile banking, the internet banking, the card banking, the MIS, the treasury, the international banking system and the like. Due to the complex nature of the project, the testing process has taken much of the managements' time and energy and reached stage of implementation at the fourth quarter of the fiscal year at which the base system is successfully implemented at the Accounting & Treasury Department and 16 major branches before June 30, 2012. Now, the implementation can be expedited as fast as possible to complete it all in the following fiscal year while offering our customers our best Any Branch Banking services supported by the system.

### 5.3 BRANCH EXPANSION

During the just ended financial year, OIB has opened nine additional branches in Finfinne and upcountry to raise the total number of our business outlets to 45 branches. In fact, this enormous growth in the number of branches is against the challenges in getting the necessary resources—the appropriate office space at the desired location and the required experienced human resources on which the competition is extremely stiff than ever. Despite the challenges and the rise in the cost of opening branches, OIB has been strategically moving towards opening more additional branches through focusing on economically and potentially feasible locations and with a vision to reach the unbanked localities. That is why only 14 branches of the 45 are in Finfinne and the rest are at upcountry of which most of them are opened in rural towns.



## 5.4 OTHER MAJOR ACTIVITIES

The Management and Board of Directors of OIB have been extraordinarily engaged during the ended fiscal year in revising and drawing unusually many policies and procedures as well as other strategic documents that will help OIB to achieve its own strategic plan and as well as to comply with regulatory requirements which are becoming tighter following global unpleasant developments in the financial industries. The development of these critical documents put OIB on excellent strategic position to successfully discharge the mission of the Bank through properly exploiting the opportunities as well as to withstand any possible threats. The policies and procedures are intended mainly to improve risk management and control environment of the Bank as well as to give a better guideline for operators and ensure the best customer services in a professional and transparent manner. The major documents drawn and reviewed in the fiscal year are the following:

	<b>Credit, Operation, Alternative Banking</b>		<b>Risk Management, Internal Audit:</b>
1	Credit Manual Volume II and III	14	Risk Management Policy
2	Interest Rate and Other Terms And Tariff	15	Risk Management Program
3	Revised Terms and Tariff On Local Money Transfer	16	Interest Free Banking Risk Management Framework
4	Special Export O/D Procedure	17	Risk Tolerance Limit Guidelines
5	Interest Free Fund Mobilization Policy and Procedure	18	International Banking Risk Management Procedure
6	Interest Free Trade Finance Policy and Procedure	19	Asset-Liability Risk Management Guidelines
7	Interest Free Financing Policy and Procedure	20	Internal Audit Charter
		21	Internal Auditors Code of Conduct
	<b>HR, Accounting and Treasury, Materials and Services and IT</b>		<b>Planning and Business Development</b>
8	Training Guidelines	22	Strategic Plan
9	Salary Scale and Job Position Classification Manual	23	Planning, Monitoring and Evaluation Policy and Procedure
10	Shares Management Guidelines	24	Proposal to Invest in Tsehay Industries S.C.
11	Liquidity Contingency Plan		
12	Procurement Policy and Procedure		
13	IT Security Policy		



## 5.5 FUTURE PLANS

OIB intends to be a gateway to the missing middle, providing them financial services and loans and Advances. Working together with government, public and private investors, business owners and local communities to unlock the potential for greater agricultural productivity, alternative energy, and greater global markets access and job creation. Eventually, for the purpose of providing fast and efficient banking services to customers, the Bank will further strengthen and continue implementing core banking solution in the coming financial year and to introduce new service channels such as card banking, mobile banking, internet banking, interest free banking and other alternative banking services. Fund mobilization has become the most important task for banks in Ethiopia due to the prevailing and the increasing demand and supply gap as a result of the fast growing investment activities and the Growth and Transformation Plan. Having understood this situation, OIB will endeavor to attract as much as possible number of exporter customers, depositors and establish business relationship with many more international money transfer service providers in the coming financial year.

OIB will also continue opening many more branches at strategically and economically feasible locations to come closer to our beloved customers and intensify our deposit mobilization effort more than any time else. Due attention will also be given to maintaining the quality of the Bank's assets by strengthening sound risk management systems and practices. The Bank has acquired a land at core place in the city and where financial institutions are making their first choice. Procurement of professional services for design and consulting is under process and we hope we could realize our vision of having a Headquarters that will reflect OIB's image in the coming few years.

Abera Tola

Chairman of the Board of Directors

November 2012



Shareholders Meeting in session



Management Meeting



Staff Training



Customer Session



Project Finance



Project Finance





# AUDITORS' REPORT





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DEGEFA LEMESSA AUTHORIZED AUDITORS  
LIMITED PARTNERSHIP  
CHARTED CERTIFIED  
ACCOUNTANTS

P.O.Box: 8118

E-mail: deg.lem@ethionet.et

Addis Ababa Ethiopia

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

We have audited the accompanying balance sheet of Oromia International Bank S.C. as of 30 June 2012 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

Addis Ababa  
October 01, 2012



*Degefa Lemessa*  
Degefa Lemessa Authorized Auditors  
Limited Partnership  
Chartered Certified Accountants



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

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	<u>2011</u> <u>BIRR</u>
<b>ASSETS</b>				
Cash and bank balance				
Cash on hand	4	264,244,782		218,750,421
Deposit with foreign bank		359,278,132		238,813,178
Deposit with local banks		9,120,830		4,020,907
NBE reserve account		210,000,000		230,000,000
NBE payment & settlement account		<u>40,123,837</u>		<u>158,234,206</u>
			882,767,581	<u>849,818,712</u>
<b>Other assets</b>				
Short term investment-treasury bills	5	91,172,585		81,310,006
Loans & advances	7	1,006,422,931		654,701,523
Fixed assets	2,3	80,359,298		48,919,402
Deferred expenditure	8	2,364,998		3,998,063
Investment	6	<u>499,824,000</u>		<u>323,091,000</u>
			<u>1,904,626,537</u>	<u>1,112,019,994</u>
Total assets			<u><b>2,787,394,118</b></u>	<u><b>1,961,838,706</b></u>
<b>LIABILITIES</b>				
<b>Deposits</b>				
Demand deposit		814,856,864		599,924,863
Saving deposit		968,518,974		643,010,327
Fixed deposit		333,921,060		283,383,650
Profit tax payable	11 (a)	15,641,633		11,836,826
Other liabilities	10	<u>216,480,108</u>		<u>127,538,700</u>
Total liabilities		2,349,418,639		1,665,694,366
Deferred tax liability	11 (c)	<u>292,891</u>		<u>127,307</u>
Total liabilities			2,349,711,530	<u>1,665,821,673</u>
<b>CAPITAL &amp; RESERVES</b>				
Paid up capital		374,550,941		235,214,299
Shares subscription fee		-		10,723,755
Share premium		2,665,034		-
Legal reserve		27,176,053		15,904,199
Retained earnings/Loss/		<u>33,290,560</u>		<u>34,174,780</u>
			437,682,588	<u>296,017,033</u>
Total liabilities and capital			<u><b>2,787,394,118</b></u>	<u><b>1,961,838,706</b></u>

**ABERA TOLA**  
Chairman, Board of Directors



**ABIE SANO**  
President






**OROMIA INTERNATIONAL BANK S.C**  
**PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	<u>2011</u> <u>BIRR</u>
<b>INCOME</b>				
Interest income	13		122,431,572	62,081,058
Commission and service charges	14		70,519,962	44,385,477
Gain from exchange rate fluctuation			17,461,692	12,712,511
Gain on foreign exchange dealings			14,892,867	16,601,818
Windfall gain net of 75% tax			-	13,722,127
Other income	15		<u>4,025,599</u>	<u>3,640,286</u>
			229,331,692	<u>153,143,277</u>
<b>EXPENSES</b>				
General and administrative	21	51,967,476		30,070,315
Salary and benefits	20	50,333,860		30,076,778
Provision for loans and advances		6,131,650		2,824,025
Interest expense	16	55,395,483		32,570,986
Audit fee expense		75,000		61,886
Board allowances		<u>266,000</u>		<u>850,000</u>
Total expenses			<u>(164,169,469)</u>	<u>(96,453,990)</u>
Net profit for the year before tax			65,162,223	56,689,287
Provision for taxation			<u>(15,645,915)</u>	<u>(12,226,466)</u>
			49,516,308	44,462,821
Deferred tax asset / liability			<u>(165,584)</u>	<u>(98,914)</u>
Net profit after tax			49,350,724	44,363,907
Prior year tax charges			<u>(4,263,310)</u>	-
			45,087,414	44,363,907
Transfer to legal reserve			<u>(11,271,854)</u>	<u>(11,090,977)</u>
			33,815,560	33,272,930
Directors' share on profit			<u>(525,000)</u>	-
Retained earning for the year			33,290,560	33,272,930
Retained earning brought forward		34,174,780		901,850
Less: Transferred to paid up capital		(29,362,272)		-
Dividend paid to shareholders		<u>(4,812,508)</u>		-
			-	-
Retained earning carried forward			<u>33,290,560</u>	<u>34,174,780</u>
Average earning per share			<u>147.88</u>	<u>205</u>

  
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**ABERA TOLA**  
 Chairman, Board of Directors



  
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**ABIE SANO**  
 President

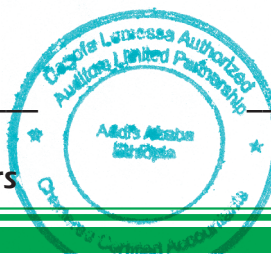




**OROMIA INTERNATIONAL BANK S.C**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2012**

	<u>BIRR</u>	<u>BIRR</u>	<u>2011</u> <u>BIRR</u>
<b><u>Cash Flow from Operation Activity</u></b>			
Net profit before tax		65,162,223	56,689,287
Adjustment for:			
Depreciation & amortization		15,732,840	7,951,274
Provision for loans & advances		6,131,650	2,824,025
Gain on disposal of fixed assets		(64,386)	
Fixed assets & adjustments		21,497	(146)
Effect of exchange rate fluctuation & FOREX dealing		<u>(32,354,559)</u>	<u>(43,036,456)</u>
Cash flow before change in working capital		54,629,265	<u>24,427,984</u>
Increase in other assets	(9,862,579)		(30,893,639)
Increase in loans & advances	(357,853,058)		(292,756,561)
Increase in deposits	590,978,058		705,384,202
Increase in other liabilities	<u>88,416,408</u>		<u>44,223,968</u>
		311,678,830	425,957,971
Net cash inflow from operation		366,308,095	450,385,954
Profit tax paid	(11,836,826)		(2,674,396)
Prior year tax charges paid	(4,263,310)		-
Withholding tax paid	<u>(4,282)</u>		-
		<u>(16,104,418)</u>	<u>(2,674,396)</u>
		(350,203,677)	447,711,558
<b><u>Cash Flow from Investment Activities</u></b>			
Insurance proceeds received	350,000		-
Purchase of fixed assets	(45,846,782)		18,661,228
Investment in deferred charges	-		287,604
Investment in treasury bills	(224,482,725)		-
Investment in shares and Government securities	<u>(176,733,000)</u>		<u>290,275,000</u>
Cash out flow from investing activities		(446,712,507)	<u>(309,223,832)</u>
<b><u>Cash Flow from Financial Activities</u></b>			
Dividend paid in cash	(4,812,508)		-
Share capital collected and net dividend capitalised	99,250,615		37,927,216
Share premium collected	<u>2,665,034</u>		<u>1,715,727</u>
Net cash inflow from financing activity		97,103,141	<u>39,642,943</u>
<b>Effect of exchange rate fluctuation &amp; FOREX dealing</b>		<u>32,354,559</u>	<u>43,036,456</u>
Changes in cash & cash equivalent		<u>32,948,870</u>	221,167,126
Cash and cash equivalent at the beginning of the year		849,818,712	628,651,586
Cash and cash equivalent at the end of the year		<u><b>882,767,582</b></u>	<u><b>849,818,712</b></u>

**ABERA TOLA**  
Chairman, Board of Directors



**ABIE SANO**  
President





**OROMIA INTERNATIONAL BANK S.C.  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 JUNE 2012**

	Paid up capital Birr	Share premium Birr	Subscription fee Birr	Legal reserve Birr	Retained earnings Birr	Total Birr
<b>BALANCE AS AT 1 JULY 2010</b>	197,287,083	-	9,008,028	4,813,222	901,850	212,010,183
Dividend paid	-	-	-	-	-	-
Subscription fee collection	-	-	1,715,727	-	-	1,715,727
<b>Collection from subscribed shares</b>	37,927,216	-	-	-	-	37,927,216
Net profit for the year	-	-	-	-	44,363,907	44,363,907
Transfer to legal reserve	-	-	-	11,090,977	(11,090,977)	-
<b>BALANCE AS AT 1 JULY 2011</b>	235,214,299	-	10,723,755	15,904,199	34,174,780	296,017,033
Dividend paid	-	-	-	-	(4,812,508)	(4,812,508)
Share premium collected	-	2,665,034	-	-	-	2,665,034
Dividend capitalised	29,362,272	-	-	-	(29,362,272)	-
Subscription fee capitalised	10,723,755	-	(10,723,755)	-	-	-
Collection from subscribed & new shares issued	99,250,615	-	-	-	-	99,250,615
Net profit for the year	-	-	-	-	45,087,414	45,087,414
Directors' share on profit	-	-	-	-	(525,000)	(525,000)
Transfer to legal reserve	-	-	-	11,271,854	(11,271,854)	-
<b>BALANCE AS AT 1 JULY 2012</b>	<b>374,550,941</b>	<b>2,665,034</b>	<b>-</b>	<b>27,176,053</b>	<b>33,290,561</b>	<b>437,682,588</b>





**OROMIA INTERNATIONAL BANK S.C.**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

## **1. ESTABLISHMENT**

Oromia International Bank S.C has been established with the authorized capital of Birr 1.5 billion in accordance with the laws and regulations of Ethiopia and the Commercial Code of Ethiopia 1960, Monetary and Banking Proclamation No. 83/1994 and Licensing and Supervision of Banking Proclamation No. 592/2008 and obtained the Banking Business license in September 2008.

## **2. PRINCIPAL ACCOUNTING POLICIES**

The financial statements are prepared in accordance with generally accepted accounting principles on historic cost convention and the laws and regulation of Commercial Code of Ethiopia 1960, Monetary and Banking proclamation No 83/1994, and supervision of Banking Business proclamation No. 592/2008 and the directives of the National Bank of Ethiopia.

### **a) FOREIGN CURRENCIES**

- Foreign exchange transactions are expressed in Birr at the actual rates prevailing on the transaction dates.
- Foreign currencies on hand and correspondent banks balances at the balance sheet date are translated at the average rates of buying and selling rates for notes and transactions.

### **b) FIXED ASSETS**

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

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

### **c) Fixed assets in store are not depreciated**

### **d) Deferred charges are depreciated at 20% per annum on straight line basis.**

### **e) STOCKS**

Stocks are valued on FIFO costing base

### **f) INVESTMENT**

Investment is carried at cost of acquisition

### **g) INTEREST ON LOANS**

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

### **h) COMMITMENT ON LETTERS OF CREDIT**

Commitments on letters of credit are disclosed in the financial statement net of the margin held account without being accounted for.

### **i) GUARANTEES ISSUED**

Guarantees issued by the bank are disclosed in the financial statement without being accounted for.





### 3. FIXED ASSETS

a)

	<b>Balance on 30/06/2011 Birr</b>	<b>Addition Birr</b>	<b>Disposal/ Adjustment Birr</b>	<b>Balance at 30/06/2012 Birr</b>
<b><u>COST</u></b>				
Motor vehicles	17,611,238	26,127,478	(357,018)	43,381,698
Furniture & fittings	7,601,923	5,354,608	-	12,956,531
Office equipment	9,212,950	4,801,445	(12,059)	14,002,336
Computer and accessories	7,750,247	9,563,251	(12,439)	17,301,059
Construction in progress	<u>18,404,124</u>	-	-	<u>18,404,124</u>
	<u>60,580,482</u>	<u>45,846,782</u>	<u>(381,516)</u>	<u>106,045,748</u>
<b><u>DEPRECIATION</u></b>				
Motor vehicles	4,939,188	6,554,233	(71,404)	11,422,017
Furniture & fittings	2,614,958	2,019,243	-	4,634,201
Office equipment	1,591,234	2,235,133	(268)	3,826,099
Computer and accessories	<u>2,515,700</u>	<u>3,291,166</u>	<u>(2,733)</u>	<u>5,804,133</u>
	<u>11,661,080</u>	<u>14,099,775</u>	<u>(74,405)</u>	<u>25,686,450</u>
<b><u>BOOK VALUE</u></b>	<b><u>48,919,402</u></b>			<b><u>80,359,298</u></b>

b) The balance shown as construction in progress represents cost of buildings acquired to be demolished for the construction of future Head Quarters of the Bank. The construction has not yet commenced.

c) Some fixed asset items net of accumulated depreciation have been adjusted to expenses for Birr 21,497. The break down is as follow:-

	<b>BIRR</b>
Miscellaneous (disposed)	2,026
Transfer to office supplies expense	12,762
Transfer to stationery expense	<u>6,709</u>
	<b><u>21,497</u></b>

### 4. CASH IN HAND

Imprest fund  
Local currency in value  
Foreign currency in Birr



<b>BIRR</b>	<b>2011 BIRR</b>
126,700	47,500
258,758,302	201,060,199
<u>5,359,781</u>	<u>17,642,722</u>
<b><u>264,244,782</u></b>	<b><u>218,750,421</u></b>



## 5. OTHER ASSETS

	<b>BIRR</b>	<b>2011 BIRR</b>
Accounts receivables	13,059,634	18,219,812
Supplies stock	6,685,235	2,937,477
Fixed assets in store	6,710,595	6,386,922
Uncleared effect - local	21,265,199	22,396,039
Uncleared effect - foreign	18,100,711	8,609,029
Prepayments	20,645,868	21,149,913
Interest earned on Government security bills	4,705,343	1,610,814
	<b><u>91,172,585</u></b>	<b><u>81,310,006</u></b>
<b><u>The uncleared effect local balance has been arrived at as follows</u></b>		
Branches' accounts with Head Office	(20,545,681)	625,176,027
Head Office's account with branches	(834,996,777)	(1,015,009,718)
Uncleared effects	876,807,657	412,229,730
	<b><u>21,265,199</u></b>	<b><u>22,396,039</u></b>
<b><u>The uncleared effects constitutes of</u></b>		
Telegraphic transfer received	497,255,304	219,023,698
Claims on Head Office and Branches	101,781,766	51,875,036
Blocking outwards	34,770,723	23,994,204
Checks paid	10,588,464	16,041,070
Cash in transit	232,411,400	101,295,721
	<b><u>876,807,657</u></b>	<b><u>412,229,729</u></b>

## 6. INVESTMENT

	<b>BIRR</b>	<b>2011 BIRR</b>
Oromia Insurance S.C	6,000,000	6,000,000
Gutu Oromia Business S.C	1,000,000	1,000,000
Elemtu Integrated Dairy Industry S.C	500,000	500,000
Elemo Kiltu House Building	500,000	500,000
OIB - ODA Real Estate Plc	25,191,000	25,191,000
Investment in NBE bills	456,603,000	289,900,000
Eth. Switch S.C	5,030,000	-
Tsehay Industry S.C	5,000,000	-
	<b><u>499,824,000</u></b>	<b><u>323,091,000</u></b>







## 7. LOANS AND ADVANCES

	<u>BIRR</u>	<u>2011 BIRR</u>
Agriculture	12,792,686	14,740,338
Industry	40,924,628	31,235,058
Domestic trade and service	416,630,661	297,986,927
Export	153,300,756	101,923,773
Import	57,548,002	26,512,429
Construction	165,188,204	54,698,100
Transport & communication	49,903,264	73,481,754
Hotel & tourism	47,796,796	40,237,289
Mining, power & water resources	4,927,158	5,357,621
Microfinance institution	42,677,788	639,114
Consumer and personal loan	13,207,786	8,903,992
Non-performing loans	14,157,787	6,026,959
Mortgage loans	<u>540,897</u>	<u>-</u>
	1,019,596,413	661,743,355
Less: provision for loans and advances (7.a below)	<u>(13,173,482)</u>	<u>(7,041,832)</u>
	<b><u>1,006,422,931</u></b>	<b><u>654,701,523</u></b>

### 7.a PROVISION BY LOAN CLASSIFICATION

	<u>BIRR</u>	<u>2011 BIRR</u>
Loss	520,963	-
Doubtful	1,272,418	2,497
Substandard	735,660	185,726
Special mention	1,026,799	444,668
Pass	<u>9,617,642</u>	<u>6,408,941</u>
	<b><u>13,173,482</u></b>	<b><u>7,041,832</u></b>

## 8. DEFERRED EXPENDITURES

This balance represents preoperational project costs and cost of software acquired shown as follows:

	<u>Balance as at 30/06/11 Birr</u>	<u>Addition Birr</u>	<u>Balance as at 30/06/12 Birr</u>
<b><u>COST</u></b>			
Establishment cost	6,777,205	-	6,777,205
Software	1,100,517	-	1,100,517
Major office renovation cost-Oda branch	<u>287,603.54</u>	<u>-</u>	<u>287,604</u>
	<u>8,165,326</u>	<u>-</u>	<u>8,165,326</u>
<b><u>AMORTIZATION</u></b>			
Establishment cost	3,614,509	1,355,441	4,969,950
Software	495,233	220,104	715,336
Major office renovation cost-Oda branch	<u>57,521</u>	<u>57,521</u>	115,042
	<u>4,167,263</u>	<u>1,633,066</u>	<u>5,800,328</u>
Bookvalue	<b><u>3,998,063</u></b>		<b><u>2,364,998</u></b>





## 9. DEPOSITS

	DEMAND BIRR	SAVINGS BIRR	FIXED TIME BIRR	TOTAL BIRR	2011 BIRR
a) Over draft accounts with credit balance	4,681,813	-	-	4,681,813	-
Non - resident non transferable	5,478	-	-	5,478	1,674
Cooperative and associations	52,165,329	42,438,245	14,040,006	108,643,580	74,118,402
Non-bank financial institutions	9,439,678	-	-	9,439,678	905,864
Private sector	672,411,801	874,234,400	21,916,298	1,568,562,499	1,144,016,915
Public agencies and enterprises	3,645,612	1,229,716	4,000,000	8,875,328	10,302,062
Domestic banks	-	-	220,000,000	220,000,000	225,000,000
Retention account	13,920,950	-	-	13,920,950	2,255,317
Government-Federal & Regional	76,422	-	-	76,422	6,851
Financial Institutions	43,739,560	4,917,813	73,964,756	122,622,129	46,944,962
Diaspora account	1,278,643	-	-	1,278,643	2,048,097
Special non-interest bearing	-	45,698,800	-	45,698,800	19,460,309
Correspondent their accounts	4,446,994	-	-	4,446,994	1,258,387
Residents foreign currency account	9,044,584	-	-	9,044,584	-
	<b>814,856,864</b>	<b>968,518,974</b>	<b>333,921,060</b>	<b>2,117,296,898</b>	<b>1,526,318,840</b>
<b>2011</b>	<b>599,924,863</b>	<b>643,010,327</b>	<b>283,383,650</b>	<b>1,526,318,840</b>	

## 10. OTHER LIABILITIES

	BIRR	2011 BIRR
Income tax payable	633,921	409,652
Stamp duty charge	290,573	561,212
Interest on deposit	11,802,502	7,372,761
Accruals	2,129,433	2,048,132
Exchange payable to NBE	-	1,718,100
CPO & certified cheques issued	44,912,134	32,358,286
Withholding tax payable	25,836	67,956
Blocking in wards	24,175,821	19,694,958
TT payable	19,638,409	12,796,026
Audit fee payable	75,000	52,000
Miscellaneous	9,455,723	12,985,801
Margin held on letters of credits	102,515,686	37,473,816
Interest tax payable	300,070	-
Directors share on profit	525,000	-
	<b>216,480,108</b>	<b>127,538,700</b>





## 11. PROFIT TAX COMPUTATION

a.	<u>BIRR</u>	<u>2011 BIRR</u>
Net profit (loss) before taxation	65,162,223	56,689,287
Add: depreciation and amortization expense for reporting purpose	15,732,840	7,951,274
Less: depreciation & amortization per tax proclamation	(16,284,786)	(8,280,987)
Add: Entertainment	363,159	65,691
Donation	64,515	80,937
Fixed assets adjustments charged to expenses	21,497	-
Less: Interest income taxed at source/ deposited at foreign bank	(49,618)	(34,480)
Windfall gain net of tax	-	(13,722,127)
Profit tax over paid	-	(389,640)
Gain on fixed assets disposal	(64,386)	-
Interest on NBE bills	(12,800,663)	(1,610,814)
Taxable profit	<u>52,144,781</u>	<u>40,749,141</u>
Provision for taxation- 30%	15,643,434	12,224,742
Interest 5% on deposit at foreign banks 49,658.09@5%	2,481	1,724
	15,645,915	12,226,466
Less: over paid profit tax withholding tax	(4,282)	-
	<u><b>15,641,633</b></u>	<u><b>11,836,826</b></u>
Net current year profit tax		

### b. Depreciation for tax purpose

	<u>Computer accessories</u>	<u>Other Business assets</u>	<u>Depreciation Total Birr</u>
Depreciation base brought forward	4,849,773	23,391,454	
Fixed asset disposal proceed	-	(350,000)	
Current year additions	<u>9,563,251</u>	<u>36,283,531</u>	
Depreciation base at end of the year	14,413,024	59,324,985	
Depreciation 25% and 20%	<u>(3,603,256)</u>	<u>(11,864,997)</u>	15,468,253
Depreciation base carried forward	<u>10,809,768</u>	<u>47,459,988</u>	
Deferred expenditure at 10% of 8,165,325.54			<u>816,533</u>
			<u><b>16,284,786</b></u>

### c. Deferred tax liability

	<u>BIRR</u>	<u>2011 BIRR</u>
Depreciation & amortization computed for reporting purpose	15,732,840	7,951,274
Depreciation & amortization computed for tax purpose	(16,284,786)	(8,280,987)
Temporary difference	(551,946)	(329,713)
Deferred tax liability/assets, 30%	(165,584)	(98,914)
Balance brought forward	(127,307)	(28,393)
Balance carried forward	<u><b>(292,891)</b></u>	<u><b>(127,307)</b></u>





## 12. SHARE CAPITAL

(a) The details are as follows

	<u>Number of Shares</u>	<u>Par Value BIRR</u>	<u>Total BIRR</u>	<u>2011 BIRR</u>
Subscribed capital	450,503	1,000	<u>450,503,000</u>	<u>279,174,000</u>
Fully paid up capital	374,551	1,000	<u><b>374,550,941</b></u>	<u><b>235,214,299</b></u>

(b) The current year increase to Birr 374,550,941 has been attained as follows

Beginning balance			235,214,299	
Transfer from share premium		10,723,755		
Retained earning capitalized		29,362,272		
Current year issues		<u>99,250,615</u>		
			<u>139,336,642</u>	
			<u><b>374,550,941</b></u>	

## 13. INTEREST EARNED ON

	<u>BIRR</u>	<u>2011 BIRR</u>
Loans and advances	109,581,291	60,435,764
Surplus fund	-	34,480
Security / NBE bills/ Treasury bills	11,608,410	1,610,814
Correspondent banks	1,192,253	-
	<u>49,618</u>	<u>-</u>
	<u><b>122,431,572</b></u>	<u><b>62,081,058</b></u>

## 14. COMMISSION AND SERVICE CHARGE

	<u>BIRR</u>	<u>2011 BIRR</u>
CPOs and cheques paid	216,506	104,199
Others	10,795,685	-
MTs, TTs and demand draft	10,732,943	7,941,200
Letter of guarantee	5,204,856	1,069,529
Opening commission on L/C	10,772,037	5,441,543
Services charges - local	361,960	392,917
Services charges - foreign	<u>32,435,975</u>	<u>29,436,089</u>
	<u><b>70,519,962</b></u>	<u><b>44,385,477</b></u>

## 15. OTHER INCOME

	<u>BIRR</u>	<u>2011 BIRR</u>
Cash overage	74,161	81,375
Estimation & inspection fee	-	411,326
sundries	-	124,728
Profit tax over paid	-	389,640
Postage telephone and telegram	3,887,052	2,633,217
Gain on fixed assets disposal	<u>64,386</u>	<u>-</u>
	<u><b>4,025,599</b></u>	<u><b>3,640,286</b></u>





## 16. INTEREST EXPENSE

This balance represents interest paid and accrued on saving & fixed time deposits as shown below:

	<u>BIRR</u>	<u>2011 BIRR</u>
Fixed time deposit	20,163,843	17,202,866
Saving deposit	30,788,763	15,368,120
Demand deposits	4,442,877	-
	<u>55,395,483</u>	<u>32,570,986</u>

## 17. SALARIES & BENEFITS

	<u>BIRR</u>	<u>2011 BIRR</u>
Medical & related	1,053,387	570,727
Utility allowance	210,137	166,147
Training & education	1,137,355	432,373
Uniform	705,276	401,097
Transportation & fuel allowances	3,867,867	3,104,774
Salaries	29,145,008	18,641,679
Acting allowance	10,072	6,492
15% provident fund contribution	4,263,861	2,676,403
Representation allowance	511,522	386,490
Housing allowance	930,601	655,954
Cash indemnity allowance	1,158,035	813,652
Disturbance allowance	23,800	11,040
Overtime	220,289	-
Accrued Leave	2,224,708	651,792
Staff insurance	367,275	276,746
Bonus expense	2,964,188	1,084,651
Hardship allowance	1,536,479	192,967
Funerals expenses	4,000	3,794
	<u>50,333,860</u>	<u>30,076,778</u>





**18. GENERAL EXPENSES**

	<b><u>BIRR</u></b>	<b><u>2011 BIRR</u></b>
Advertisement & publicity	2,950,779	1,903,313
Parking	4,136	6,944
Correspondent charges	-	106,123
Donations & contribution	64,515	180,937
Entertainment & conference	363,159	65,691
Training expenses	-	102,452
Inauguration	177,305	66,491
Property insurance	1,285,824	717,549
Consultancy fee	70,703	-
Cheque books	4,809	3,763
Repair & maintenance	975,383	588,971
Subscription	18,321	178,576
License fees	12,050	16,269
Office rent	13,492,893	8,581,822
Travel and per diem	930,731	519,081
Fuel & lubricant	2,001,640	570,936
Postage	153,745	107,953
Stationary, printing and office supplies	4,286,624	2,312,310
Sundries	1,103,886	465,034
Telephone, swift & internet	3,924,839	2,548,408
Transportation	1,289,957	663,548
Wages	471,376	293,610
Water & electricity	244,379	187,825
Revenue stamps	4,651	89
Depreciation & amortization	15,732,841	7,951,274
Cleaning supplies	144,250	327,175
Motor vehicle inspection	45,874	12,907
Money bag	1,602	1,977
Membership fees	76,850	76,850
Bank charge	1,078,073	636,173
General assembly meetings	<u>1,056,281</u>	<u>876,264</u>
	<b><u>51,967,476</u></b>	<b><u>30,070,315</u></b>

**EARNING PER SHARE**

	<b><u>BIRR</u></b>	<b><u>2011 BIRR</u></b>
Earning for the year	45,087,414	44,363,907
Average number of shares during the year	<u>304,883</u>	<u>216,251</u>
	<b><u>147.88</u></b>	<b><u>205.15</u></b>





## 19. CONTINGENT LIABILITY AND COMMITMENT BALANCES

	<u>BIRR</u>	<u>2011 BIRR</u>
Contingent liability on guarantees issued	91,053,538	39,703,458
Commitment on letters of credit net of the margin held	309,460,015	70,184,463
	<b><u>400,513,553</u></b>	<b><u>109,887,921</u></b>

## 20. MEMORANDUM ACCOUNT

	<u>BIRR</u>	<u>2011 BIRR</u>
Interest on non-performing loans	1,437,071	38,569
Money bags	1,267	1,002
Outward bills for collections-city branch cheques	-	58,210
Outward bills for collections-other branches city clearance	1,530,602	5,035,524
IBC-sight	-	1,842,250
Inward bills for collection sight	69,144,996	30,379,908
	<b><u>72,113,936</u></b>	<b><u>37,355,463</u></b>





## Oromiyaa Inshuraans Kaampaanii W.A

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## Oromia Insurance Company S.C

### NON-LIFE INSURANCE

- Motor Insurance
- Fire and Allied Perils
- Burglary and Housebreaking/Theft
- Marine Insurance
- Personal Accident
- Workmen's Compensation
- Medical Insurance
- Money Insurance
- Fidelity Guarantee
- Engineering
- Travel Insurance
- Bonds
- All Risks Insurance
- Plate Glass
- General Liability Insurance and more...

### LIFE ASSURANCE

- Term Life Assurance
- Whole Life (with or without profit)
- Endowment (with or without profit)
- Anticipated Endowment (with or without profit)
- Endowment Annuity (with or without profit)
- Educational Endowment (with or without profit) and more...

### MICRO INSURANCE

- Crop Insurance
  - *Multi Peril Crop Insurance*
  - *Weather Index Crop Insurance*
- Livestock Insurance
  - *Multi Peril Livestock Insurance*
  - *Index Based Livestock Insurance*
- Term Life Microinsurance
- Health Microinsurance
- Property Microinsurance

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