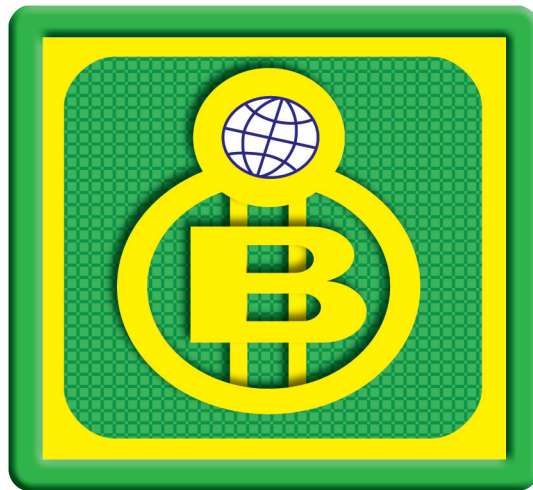




# OROMIA INTERNATIONAL BANK S.C.



## *ANNUAL REPORT* JULY 2013 - JUNE 2014

***Peoples' Bank!***







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## *Vision*

“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 total respect to employees and customers,
-  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.

# **Peoples' Bank !**





## BOARD OF DIRECTORS



**Obbo Abera Tola**  
Board Chairman



**Obbo Gadissa Bultosa**  
Vice Chairman



**Dr. Likissa Dinsa**  
Member



**Dr. Hirut Terefe**  
Member



**Dr. Fikre Lemessa**  
Member



**Kab. Gebru Gebermariam**  
Member



**Dr. Amenu Oljirra**  
Member



**Obbo Damenu Tulu**  
Member



**Adde Aynalem Megersa**  
Member



**Dr. Firdissa Jebessa**  
Member



**Obbo Didha Dirriba**  
Member



**Obbo Eshetu Erena**  
Board Secretary



## 1. MESSAGE FROM THE BOARD CHAIRPERSON

Our distinguished and respected OIB shareholders, guests of honor and esteemed OIB staff, well come and thank you for coming to our 5<sup>th</sup> General Assembly meeting at this colorful place of the African Union Conference Hall.

Our Board and Management is very grateful for all the partnership our Bank received from its customers, the National Bank of Ethiopia and other banks, which significantly contributed towards achieving its ultimate objectives.



For OIB, this fiscal year is another successful year. We are maintaining our steady growth as it is stipulated in our 5 years strategic plan. Accordingly, at the closing of the reporting year—June 30, 2014, OIB has built a total asset of Birr 6.2 billion recording a notable growth of 57%. Our deposit reached Birr 5 billion. The growth was not only about growth in the magnitude of the total deposit which was about Birr 2 billion increment but also the further improvement of the mix of the deposit types which had shown a positive shift from relatively expensive fixed time deposit to fairly priced and stable deposit type, which is saving and demand deposits.

The achievement in deposit, which was also the major reason for such asset growth, is a true reflection of the trust and confidence our customers and the general public have in OIB. One of the main reasons for the increase of our deposits is the ever-increasing number of branches. We have opened forty one (41) new more branches in the fiscal year reaching our branch network to 106 out of which 71% is located out of Finfinne. In line with this, the Core Banking technology has been deployed to all the 41 newly opened branches during the year to add up online branches to a total of 103.

During this fiscal year, OIB granted credits in the form of loans and advances amounting 2.6 billion Birr showing a growth of 57% over the last year. The paid up capital of the Bank has also reached Birr 540 million as at end of June 2014 recording a 23% growth over the reporting year. OIB has also achieved a 64% growth in its total revenue registering total amount of Birr 545.5 million. The lion's share of the revenue goes to interest income from loans and advances with 60% share while income from commission and service charges and gains on foreign exchange transaction and holding contributed 29% and 9% respectively to the total revenue and the balance goes to other income. About 34% of the total income of OIB—Birr 189 million was earned from our international banking operation.

The income and expense balance (profit) of the Bank for this year shows that the total income has increased by 64% (Birr 212 million) from last year while total expense has increased by about 47% or Birr 109 million from last year same period. Employee Salary and benefit expense holding the upper hand 36.7% of the total expense, which has generated a profit before tax of Birr 205 million. Branch expansion, salaries and ever increasing cost of capital goods has resulted inflating our total expenses. The NBE bill has reached Birr 1.1 billion being an opportunity cost to the Bank but supporting the national development program by the same amount.



OIB has continued in creating employment opportunities for thousands of citizens. During this fiscal year, it has recruited additional 547 employees reaching 1,883 in total. Our investment in Tsehaye Industry S.C and Oromia Insurance Co.S.C is generating addition income to OIB while investment in Elemtu Milk Integrated, OIB -ODA real state and others are on the verge of genereting income. The Interest Free Banking service, which we initiated in the Ethiopian banking system as a new product to reinvigorate and contribute to the Ethiopian Economy and serve part of the society, is progressing in a very promising manner. OIB is able to mobilize more than 175 million Birr over the last six months and serve about nine thousand customers.

The effort to realize the construction of our head office is underway. The design work is under finalization and the soil testing is expected to be completed in the coming few months. In the mean time, the move from the previous head office to our own newly acquired building and current head office is completed. We are currently at a better place in every aspect than we were five years ago.

Our shareholders and distinguished guests, I would like to reaffirm that the Board and Management of OIB will continue to serve you, protect your interest and stay committed to the national cause and effort of building a middle income society. Guided by its vision of becoming the 'Bank of Your First Choice' and the 'Peoples' Bank' motto, OIB will pursue its journey in a more dignified, professional and responsible manner.

I thank you all,

Abera Tola

Chairman of the Board of Directors

November, 2014



## **MANAGEMENT MEMBERS**



**Obbo Abie Sano**  
President



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



**Obbo Mergia Diriba**  
Chief- Operating Officer



**Obbo Israel Terefe**  
V/P- Operations & Relationship Management



**Obbo Berhanu Gonfa**  
Director-Materials & Services



**Adde Adanech Bedada**  
Chief - Internal Audit



**Obbo Wolde Bulko**  
Director-Credit Management



**Obbo Neway Megersa**  
Director-Planning & Business Devt



**Obbo Shiferaw Amenu**  
Director-Legal Services



**Obbo Nuri Hussien**  
Director-Interest free Banking Services



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



**Obbo Alemayehu Demise**  
Chief-Risk Management & Compliance



**Obbo Girma Bersisa**  
Director-International Banking Services



**Obbo Jote Kenate**  
A/Director-Accounting & Treasury



**Obbo Tesfaye Basha**  
Director-Information Technology



**Obbo Endale Foye**  
Director-Branch Operations





## 2. MESSAGE OF THE PRESIDENT



Dear respected shareholders and our stakeholders, I am very pleased and honoured to present to you major business affairs and significant indicators of Oromia International Bank S.C (OIB's) accelerated achievements in the fiscal year 2013/14 on behalf of our most cherished employees and the management of the Bank. Our Bank has made an encouraging progress almost at all fronts to the satisfaction of our stakeholders despite different global and domestic challenges that obliged some of our counterparts to retreat in some businesses performance.

The fiscal year 2013/14 was a year in which some positive developments and recoveries were seen in other parts of the world though still the demand for our export commodities didn't show much progress as one could see from only about 60% achievement of our national export targets at the end of third quarters of the year. This had somehow constrained our supply of hard currency and as a result we had experienced stronger demands for the foreign exchange during the fiscal year.

Locally, the competition among banks for resources such as the foreign exchange, deposit, office for new branches and human resources was horribly stiff and only the fittest survived the intensity. This stiff competition, coupled with large branch expansion undertaken, has significantly raised our operating expenses.

OIB, however, has managed to strongly sustain its past achievements and scored rather accelerated performances adding upon its continued growth trajectory as shown by sharply elevated growth graphs, in all parameters compared to previous years. These achievements will encourage us to similarly raise our heads and see our competitors and the environment with the spirit of proactively designing our strategy to ensure sustainable successes.

The graphs for major financial highlights may tell better but it gives me a great pleasure to underline some of our performance indicators just to consolidate the attention of our stakeholders to the crux of the matter. Only in the period under consideration, both our total asset and loans have grown by 57%, our deposit and revenue have jumped by 64% each and above all our profit is doubled by growing over 100% compared to last year's same period. What makes these achievements extraordinary is the context within which it was accomplished. One may note that we have opened 41 new branches all over the country in this fiscal year alone raising our branch network by over 63% which resulted in human resources growth of about 41% and operating expenses growth of 47% the net benefit of which was positive as noted above by the over 100% profit growth all as the result of our employees' concerted effort and our management's resilient commitment.

The ended fiscal year was also another year of strategic leadership for OIB as it is usually known for its action of paving the way for its counterparts by going through the uncharted territory. It was headline news that our Bank has acquired its Headquarters building on the best location of our city in a bid to compliment our



immediate strategy of supporting the delivery of the best services to our beloved customers. We have acquired this property at the best value for money since we were the leader for this specific action. We have also successfully launched the Interest Free Banking Window(IFBW) services at most of our branches that significantly built our image apart from the immense business boost that we have already started to harvest. Internally, we have streamlined some of our business processes and systems to improve our services, strengthen our risk management and control, and accordingly issued or reviewed different policies and procedures that will enable our Bank to be resilient to developments in the industry and accomplish its mission. We have also continued to recruiting a large number of fresh university graduates and working hard on the capacity building of our staff via training and endeavoring to groom our future bankers through such development and coaching efforts.

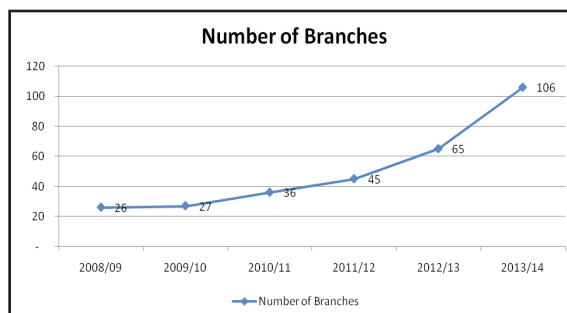
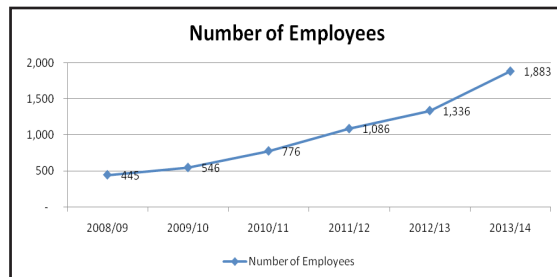
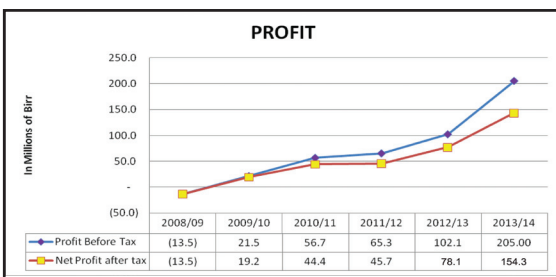
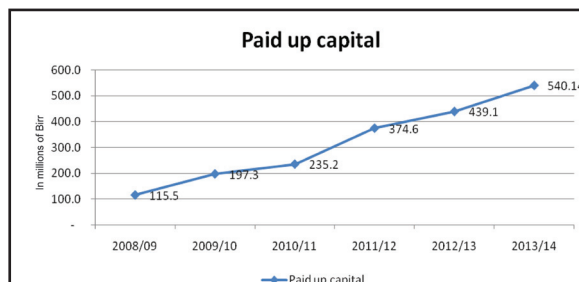
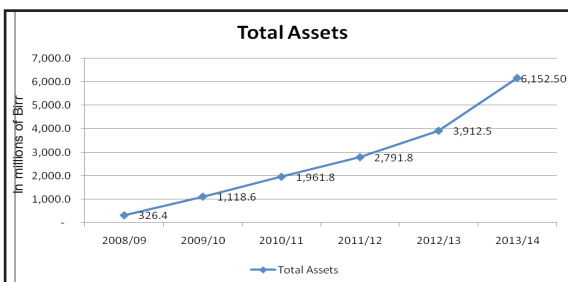
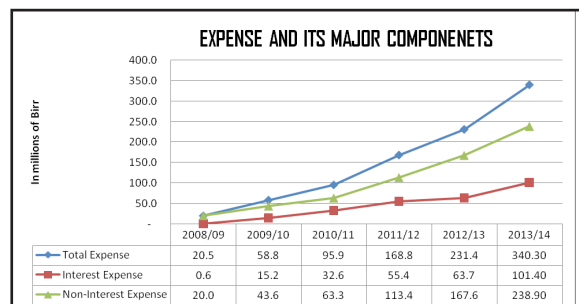
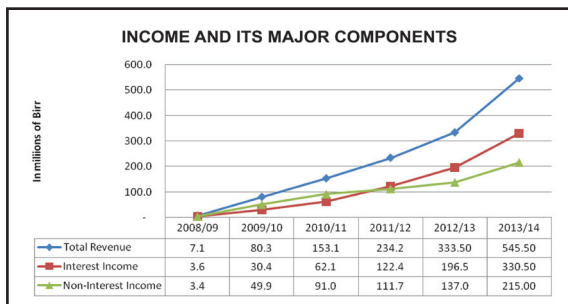
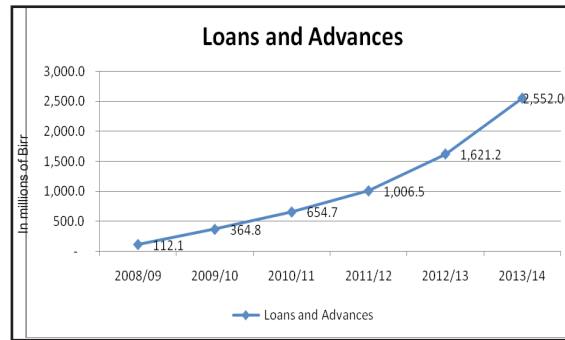
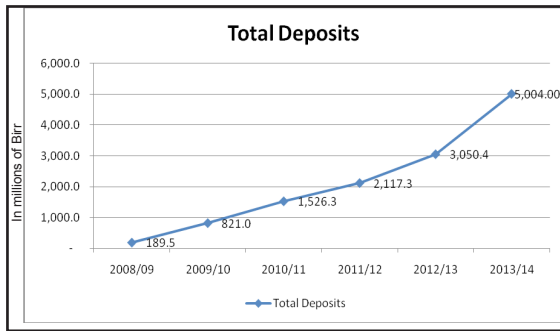
Dear stakeholders, all our concerted efforts and your trust and confidence in our management have started to bear the anticipated fruits and I will, therefore, like to say congratulations to you all.

Theses astonishing successes, however, never been a reality without the huge trust and confidence that our customers have with OIB and the commitment and support of our shareholders who have put their money with us and above all their devotion to work as an ambassador of our bank at all corners they moved for which we owe them huge applaud. The relentless effort and tireless work of our employees is the backbone for our achievements, and I would like to simply say I thank you all. The dedication and concerted effort of our Management was the leading light for the success deserving recognition. The support and freedom of action we were given by our Board was the secret of our achievements in general and in new areas in particular due to our liberty to go through those uncharted territories deserve our warm salutation. The support of our correspondent banks, our remittance agents and our local counterpart banks for our shining performance was immense and I would say thank you all and confident that our relationship will continue with better harmony.

Last but not least, the guidance and support of our regulators—the National Bank of Ethiopia and the Financial Intelligence Center was a reliable compass that keep us on the right track for which we always commit ourselves to strictly follow their advices and plea for such a continued support. We thank them all for their understanding and support.

Dear all our stakeholders, using this opportune moment, I would like to renew our promises that we will continue to strive for achieving even better level of successes in the periods to come and ensure realization of our vision of “becoming the Bank of Your First Choice”.

**Abie Sano**  
President





## BOARD OF DIRECTORS' REPORT

The Board of Directors of Oromia International Bank S.C hereby presents the Annual Performance Report for the year ended 30th June 2014 to the 5th Annual General Meeting of its Shareholders.

### 3. OPERATIONAL PERFORMANCE HIGHLIGHTS

The Oromia International Bank S.C Board of Directors and the Management hand-in-hand with the whole staffs and stakeholders were determined to strongly compete in the Ethiopian Banking Industry in the objectives of achieving its establishment mission and vision through building on basic and important lesson drawn from the previous years' experience. In view of this, the following parts of the report tries to present the high levels of the performance of the year with a special focus to its achievements, the challenges and over all directions of the business for the year ended June 30, 2014.

#### 3.1. DEPOSIT MOBILIZATION

In the financial year 2013/14, as it was in the preceding year, deposit mobilization continued as priority agenda and base of competition for the Ethiopian Banking Industry forcing more of countryside branch expansion, strengthened door to door banking marketing, usual working hours extension, new and modified bank service introduction and marching into technology based banking services and more market segmentation such as introducing Interest free banking services across the Industry.

Oromia International Bank S.C has competed boldly in the industry to mobilize deposit and maximize its market share in the group which successfully jumped above Birr 5 billion at the end of the financial year which is a substantial 64% growth from the previous end of year balance or about Birr 2 billion increment in absolute terms over the financial year only.

The growth of the Deposit for the Financial year is so encouraging in its composition even more than the leaped numeric growth, out of which saving deposit took the upper hand and even further improving from the previous year's holding to 52% of the total deposit, followed by Demand deposit 42% the two being stable deposit, reasonably priced and reflecting the general public confidence in the Bank. Time deposit constituted only 6% of the total deposit, declining even from its previous year's percentage constitution by far which the Management of the Bank is working to further reduce the percentage composition of fixed time deposit as it is costly priced product relatively.

Out of the total Deposit mobilized during the financial year under review, 3% or Birr 175 million was mobilized through our newly introduced bank product, Interest Free Bank Service. The Interest Free Bank Window was commenced operation in mid of December 2013 which has contributed and promised a potential of differently mobilizing resources ahead of the Bank's time, the service being commenced on a limited number of branches only.





Table 1: Break Downs of Deposit by Type

(In thousands of Birr)

ITEM	2013/14	% Share	2012/13	% Share	Growth	
					Absolute	Percentage
Demand Deposits	2,100,622	42%	1,216,404	40%	884,218	73%
Savings Deposits	2,611,871	52%	1,525,540	50%	1,086,331	71%
Fixed Time Deposits	291,502	6%	308,496	10%	(16,994)	-6%
<b>Total Deposits</b>	<b>5,003,995</b>	<b>100%</b>	<b>3,050,440</b>	<b>100%</b>	<b>1,953,555</b>	<b>64%</b>

Chart 1: Break down of Deposit by type as of June 2014

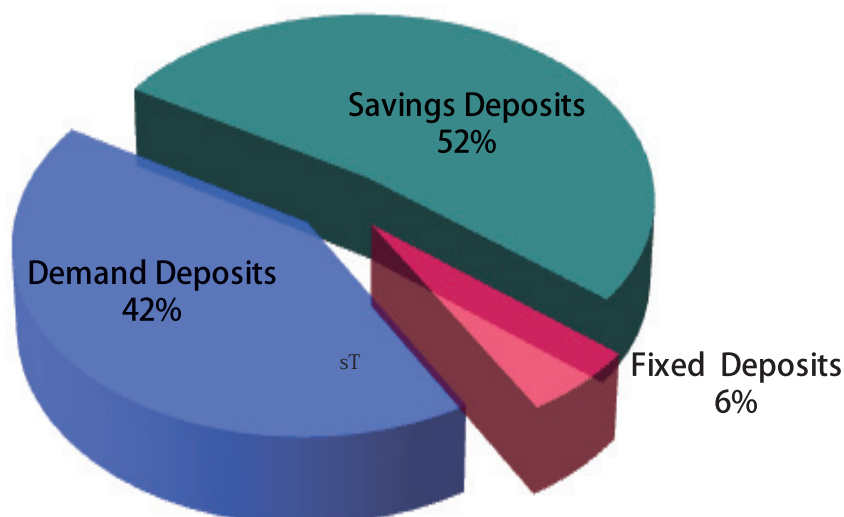
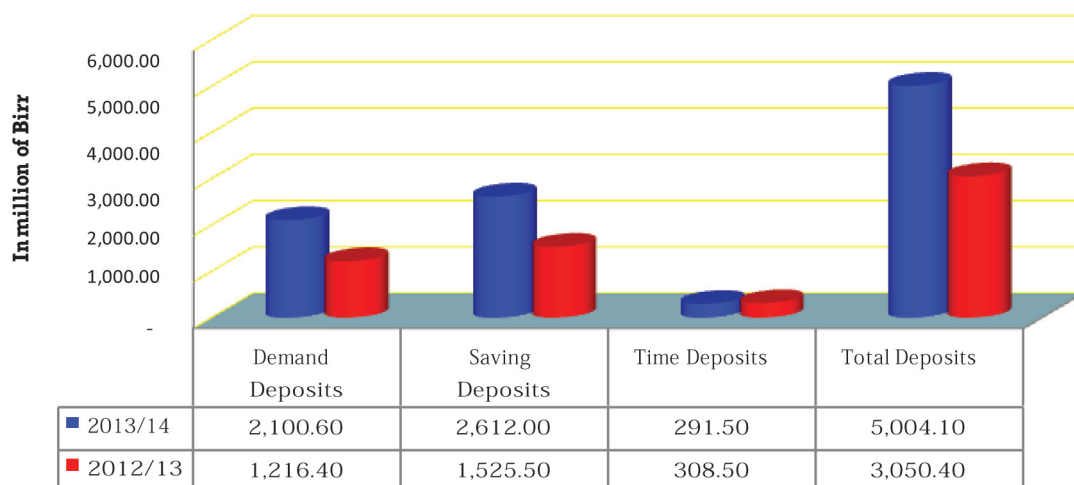


Chart 2: Comparative Distribution of Deposits by Type



### 3.2. LOANS AND ADVANCES

Still under a long lingering assortment of external factors, loans and advances is not yet entering the economy to the level of requirements of the clients and also to the need of the banking business as it is a stable and major income source of the business. However, it also needs proper follow up and scrutiny as it entails major



risks of banking products. Under the prevailing condition, OIB strongly moved to the business and achieved a total outstanding loans and advances balance of Birr 2.55 billion with a record high incremental balance of Birr 927.4 million or 57% growth from the last year ending balance as of June 30, 2014. This substantial incremental balance has gone to different crucial economic sectors in contribution to the national economic development such as agriculture, 101% improvement from last year balance. Personal and mortgage loans, Import, Domestic trade and Services, Hotel and Tourism, Transport and communication, Industry sector and the likes in order. Nevertheless, the net loans and advances to deposit ratio at the end of the financial year is still swings at round 51%, even lower than what it was last year, 53%.

**Table-2: Loans and Advances by Economic Sector (In millions of Birr)**

Economic Sector	6/30/2014	% Share		Growth	
		6/30/2014	6/30/2013	Absolute	Percentage
Agriculture	75.8	3%	37.7	38.1	101%
Industry	155.1	6%	110.8	44.3	40%
Domestic Trade and Services	861.2	34%	472.2	389.0	82%
Export	402.5	16%	308.5	94.0	30%
Import	168.7	7%	90.0	78.7	87%
Transport and Communication	189.0	7%	123.3	65.7	53%
Hotel and Tourism	241.5	9%	147.3	94.2	64%
Housing and Construction	321.5	13%	254.6	66.9	26%
Mines, Power & Water Resources	3.3	0.1%	3.3	-	0%
Financial Institution	51.5	2.0%	41.1	10.4	25%
Personal and Mortgage Loans	81.6	3%	35.5	46.1	130%
<b>Total</b>	<b>2,552</b>	<b>100%</b>	<b>1,624</b>	<b>927.4</b>	<b>57%</b>

**Chart 3: Percentage of Loans and Advances by Sector as of June 2014**

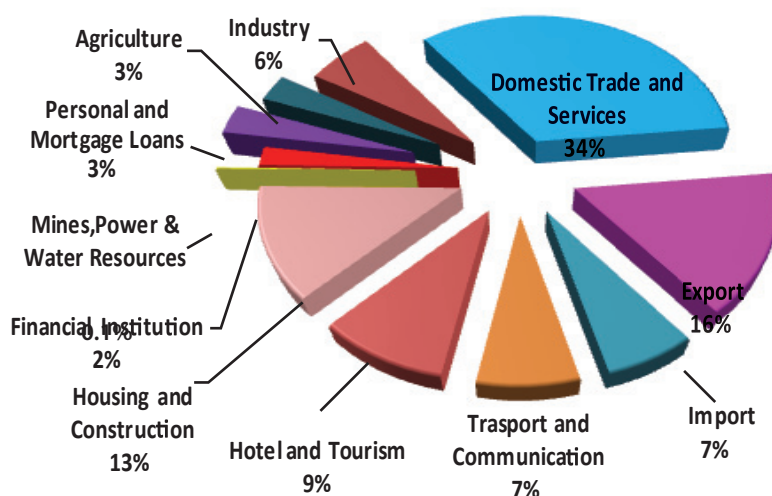
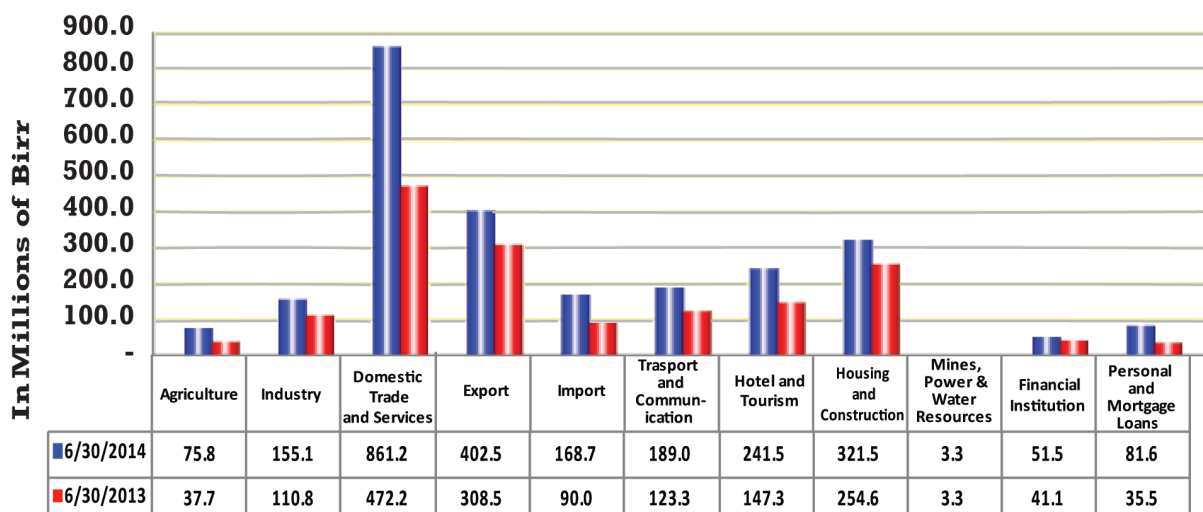




Chart 4: Loans and Advances By Economic Sector



### 3.3. FOREIGN CURRENCY GENERATION

The total foreign currency generated by all International Banking Function, as of June 30, 2014 stood at USD 163.1 million, exhibiting a growth of 40% or USD 46.19 million compared with that of the preceding financial year same period performance. The source constitutes Incoming transfer 52%, export earning 45%, purchase of variable foreign currencies 2.7% and finally forex dealings 0.3% from the period July, 2013 to June 30, 2014. The predictability of the market of this foreign currency is a challenge in Ethiopia and full access to the business market information is gloomy to follow technically the circumstances of the business. However, OIB is working hard to maximize its market share to the extent possible drawing experiences from its past trends and efficiently maximizing on the available opportunities.

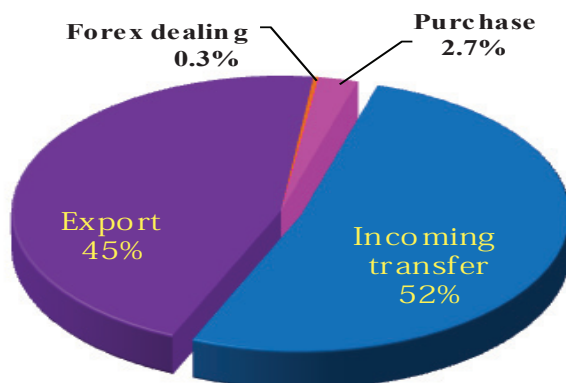
Table3: Sources of Foreign Currency in USD

(In Millions of USD)

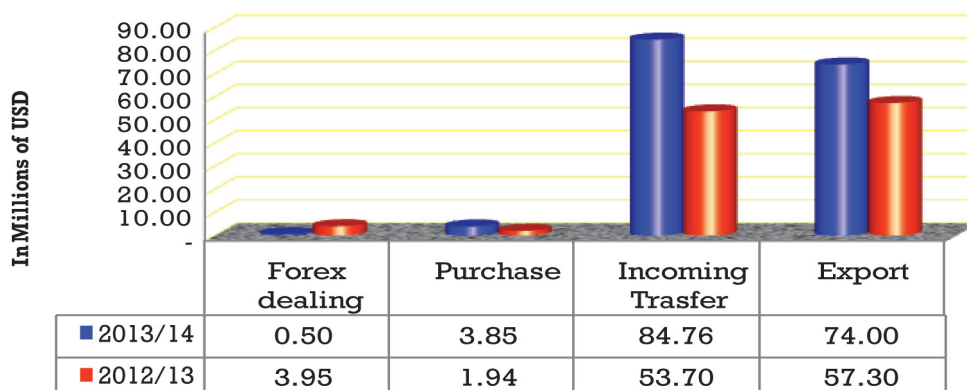
No	Item	6/30/2014	% Share	6/30/2013	% Share	Growth	
						Absolute	% Growth
1	Forex dealing	0.50	0.3%	3.95	3%	(3.45)	-87%
2	Purchase	3.85	2.7%	1.94	2%	1.91	98%
3	Incoming transfer	84.76	52%	53.70	46%	31.06	58%
4	Export	73.97	45%	57.30	49%	16.67	29%
	<b>Total</b>	<b>163.08</b>	<b>100%</b>	<b>116.89</b>	<b>100%</b>	<b>46.19</b>	<b>40%</b>



**Chart 5: Compositions of Foreign Currency Generation by Origin as of June 2014**



**Chart 6: Comparative Mobilization of Foreign Currency**



## 4. FINANCIAL PERFORMANCE

### 4.1. INCOME

Oromia International Bank S.C earned an aggregate income of Birr 545.5 million during the financial year 2013/14, registering an increase of Birr 212 million or a growth of 64% compared with the result achieved in the preceding year same period performance. The balance is a big jump since the establishment of the Bank.

Looking deep into the components of the total income, Interest Income constitutes 59.9% followed by Commission and Service Charges 28.8%, gain on foreign currency dealing and holdings 9.2% and other income 2.1% as at end of June 2014.

**Table 4: Income composition for the financial year ended June 30, 2014**

(In '000' of Birr)

Item	6/30/2014	% Share	6/30/2013	% Share	Growth	
					Absolute	%age
Interest Income	326,599	59.9%	195,841	59%	130,758	67%
Gain on foreign Dealings	50,011	9.2%	36,941	11%	13,070	35%
Commission and Service charges	157,236	28.8%	95,609	29%	61,627	64%
Other Income	11,609	2.1%	5,069	2%	6,540	129%
<b>TOTAL INCOME</b>	<b>545,455</b>	<b>100%</b>	<b>333,460</b>	<b>100%</b>	<b>211,995</b>	<b>64%</b>



Chart 7: Composition of Income by Type as of June 30, 2014

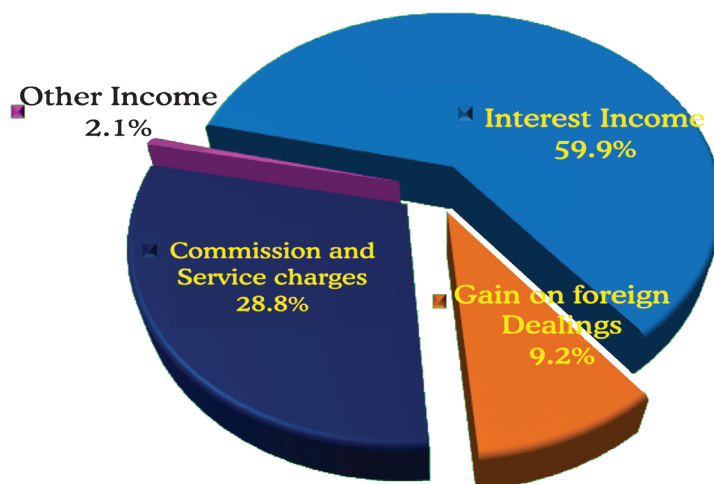
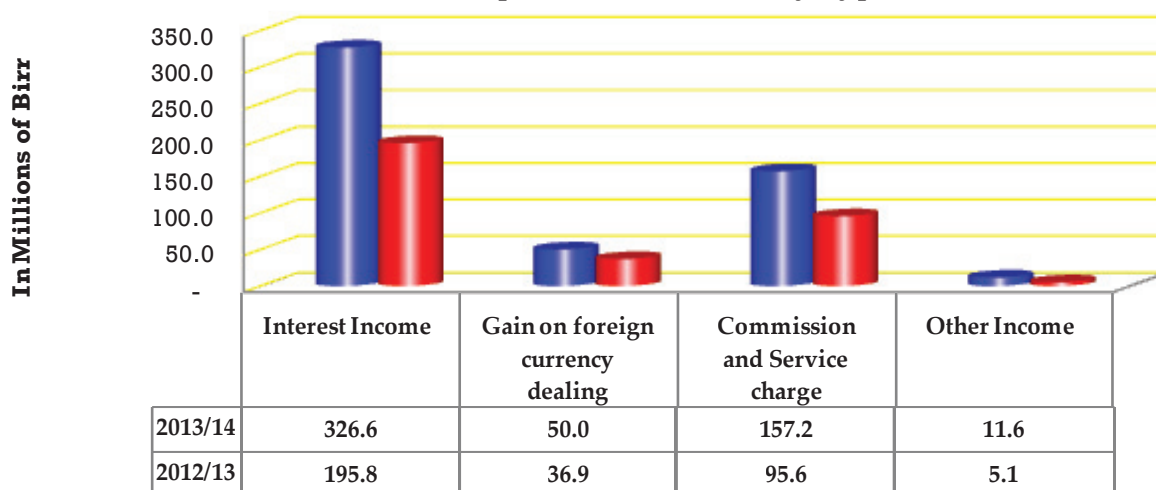


Chart 8: Comparison of Income by Type



#### 4.2. INCOME FROM INTERNATIONAL BANKING OPERATIONS

International Banking function is the second major income generating unit of the OIB next to interest income of the year. Accordingly, the total income generated from Foreign Banking Operations as at June 30, 2014 stood at Birr 189 million, accounting for about 34% of the total income of the Bank. Out of this, Commission and Services charges constituted the highest share of 72.5% or Birr 137 million of the total income generated from the operation of international banking services followed by Gain on forex dealing and holdings of the unit Birr 50 million (26.5%) and interest on Advance on Import Bill which is about Birr 2 million (1%). A close look at the composition of the income from international banking operation exhibits that commission and service charge from International banking is by far exceeding the unsustainable and volatile income from gain on forex dealing and holdings whose share declined to 26.5% this year which is lower than last year's 32.9% share

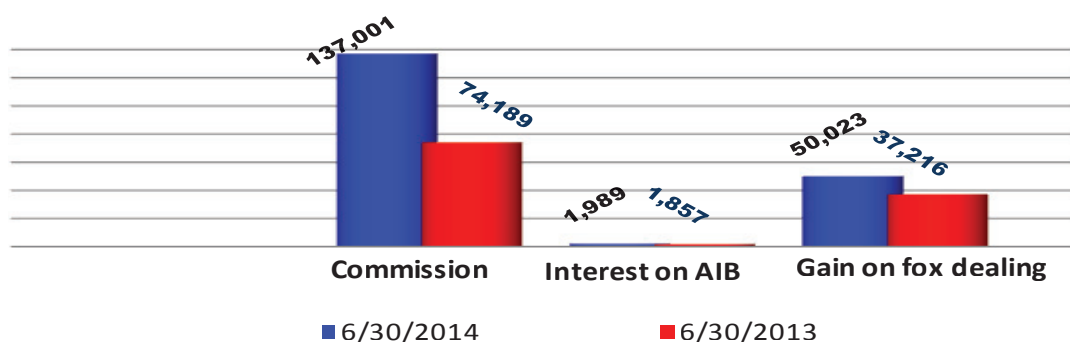


**Table 5: International Banking Service Income**

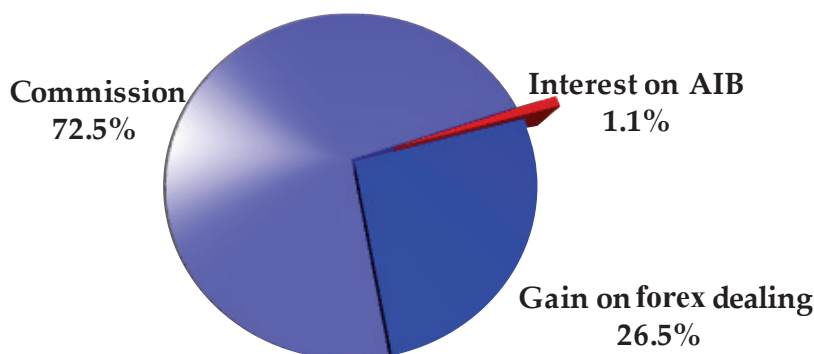
(In '000' Birr)

S/No	Items	6/30/2014	% Share	6/30/2013	% Share	Growth	
						Absolute	% Growth
1	Commission	137,001	72.5%	74,189	65.5%	62,812.00	84.7%
2	Interest on AIB	1,989	1%	1,857	1.6%	132.00	7.1%
3	Gain on forex dealings	50,023	26.5%	37,216	32.9%	12,807.00	34.4%
<b>Total Revenue</b>		<b>189,013</b>	<b>100%</b>	<b>113,262</b>	<b>100%</b>	<b>75,751</b>	<b>67%</b>

**Chart 9: Comparison of IBD Income as at June 2014**



**Chart 10: Composition of IBD Income by Type**



### 4.3. EXPENSE

The total expenses of the Bank, including provision for doubtful loans for the just ended 2013/14 financial year reached Birr 340.6 million. The Balance surpassed that of the preceding year amount by Birr 109 million or 47% owing to the increasing business volume of the Bank and huge growth in branch network. Out of the total expenses, Employee salary and Benefit constitute 36.7% followed by General and Administrative expense 33.5% and Interest paid on savings and fixed time deposits take the balance or 29.8% during the financial year under review.



Table-6: Composition of expenses by type

(In '000' Birr)

ITEM	6/30/2014	% share	6/30/2013	% share	Growth	
					Absolute	%age
General & Administrative Expense	114,276	33.6%	86,179	37%	28,097	33%
Interest Expense	101,400	29.8%	63,723	28%	37,677	59%
Salary & Employee Benefits	124,887	36.7%	81,410	35%	43,477	53%
<b>TOTAL EXPENSES</b>	<b>340,563</b>	<b>100%</b>	<b>231,312</b>	<b>100%</b>	<b>109,251</b>	<b>47%</b>

Chart 11: Composition of Expenses as of June 2014

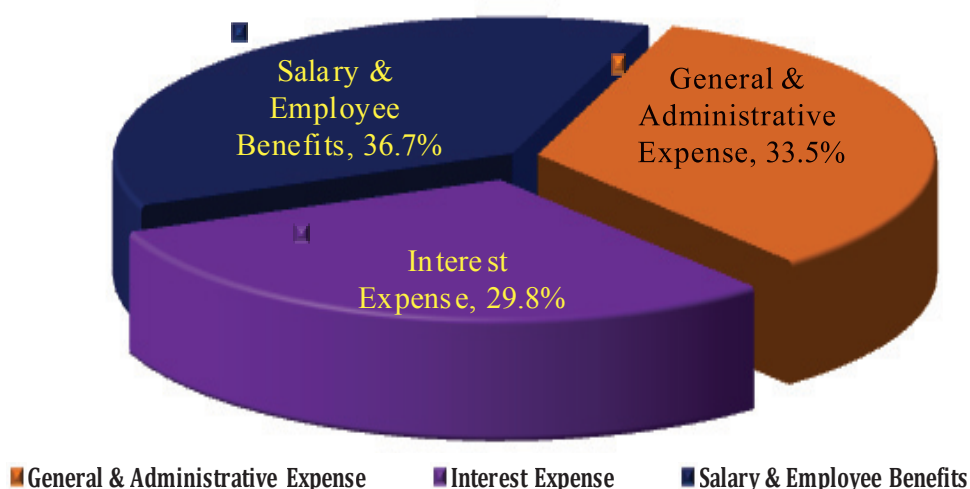
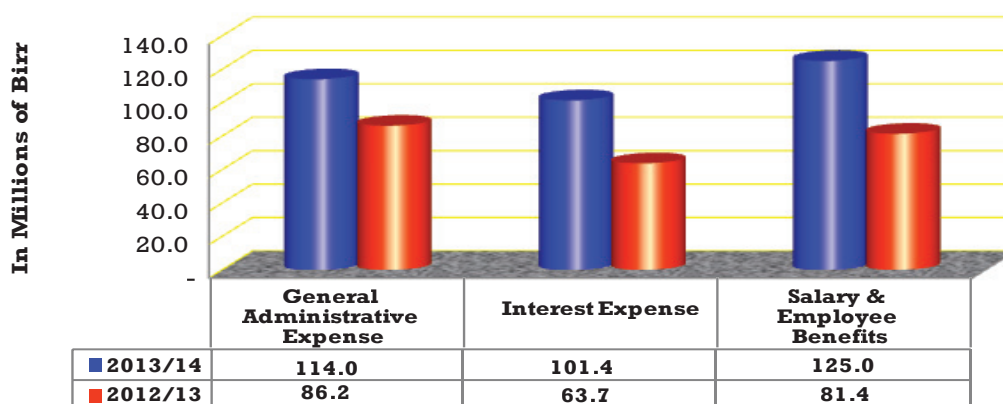


Chart 12: Comparison of Expenses by Type



Looking at year on year growth all expense items recorded a significant growth parallel with the trends of business volume expansion of the Bank during the period under review. Accordingly, interest expense has increased by Birr 37.7 million or 59% over the preceding year level. This is because of the substantial growth of savings and balance of time deposits during the financial year. The expenses for employee salaries and benefits also grew by Birr 43.5 million or 53% mainly as a result of





the some number of new employments during the period under consideration for existing business expansion and massive new branch opening in addition to huge benefits adjustment during the period under review. The incremental of Employee salary and benefit for the financial year would have been larger, had it not been managed through existing staff redeployment to open the large numbers of newly opened branches during the financial year. General and Administrative expenses went up by Birr 27.9 million or 32% owing to the continuous expansion of the volume of the Bank's overall business, increase in fixed assets and loans and advances that raised depreciation and provision expenses for which it took the second major share of total expenses ratio.

#### **4.4. PROFIT**

Having considered adequate provisions for outstanding loans and advances, the Bank's net profit before tax and after tax for the financial year was Birr 205 million and Birr 154.3 million, respectively. These have exhibited a percentage growth of 101% and 97.8% over the preceding year performance respectively. All the efforts of stakeholders in OIB have already started to yield fruit as the results of the Bank have started massive leap forward in all aspects.

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

The Bank's Return on Assets (ROA) expressed as the ratio of profit before tax to average assets showed 4% during the financial year 2013/14, while the return on equity (average total capital employed) was 32% for the reporting period. The net profit margin of the Bank (Net profit after tax divided by total income) is 28% for the year just ended June 2014. Similarly, earning per share of the Bank (net profit balance divided by average number of shares outstanding) is Birr 310 (31%) which means the share with par value of Birr one thousand earned a return of Birr 310 for the financial year 2013/14. In the meantime, the actual dividend payment of the year will be Birr 231.40 after the deduction of legal reserves Birr 38.6 million and board of directors share on profit Birr 476,944 from the net profit after tax of Birr 154.3 million. This result indicates encouraging performance achievement of the Bank, in spite of the NBE bill purchase which has already consumed about Birr 1.1 billion, stiff competition on resource mobilization, limited sources of foreign exchange, more focus on new branch opening and a relatively short period of operation in the banking industry.

#### **4.6 DISTRIBUTION OF NET PROFIT**

After making appropriate deductions (operational expense 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 154.3 million. The Board of Directors, therefore, requests the General Meeting of Shareholders to accept, Birr 38.6 million to be kept in the legal reserve as per Proclamation No. 592/2008 Art 19 (1) and the remaining amount of Birr 115.3 million after Board of Directors share on profit is ready for distribution in the form of dividend for the financial year 2013/14.





## 5. CAPACITY BUILDING

### 5.1 HUMAN RESOURCES

The staff strength of the Bank at the end of June 2014 reached 1,883, registering a growth of 41% from the preceding year. A total of 547 additional employees were recruited during the reporting period. Out of the total staff of the Bank 191 (10.1%) are managerial, 849 (45.1%) are Clerical and 843 (44.8%) are non-clerical staff. Human resource development is one of the prime concerns of the Bank since its inception. To this end, during the 2013/14, a total of 1,848 employees were trained on a number of 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 contributing to the employment opportunity of the country and recruiting and developing professional bankers in the Ethiopian Banking Industry. As a point of notation the Bank is focusing more on recruiting fresh graduates and outstanding employees and nurturing and developing the future disciplined banker in OIB and the Banking Industry.

### 5.2 INFORMATION TECHNOLOGY

Oromia International Bank has a strong conviction from the date of its inception that technology based banking is a major direction as it goes beyond business.

Accordingly, despite some challenges on systems implementations and Telecommunication Network connection drop, the CORE banking system deployed to 41 new branches during 2013/14 raising the number of branches went online to 103 which is about all of the operational branches during the financial year except branches located where connectivity is not available. Following, the deployment of the CORE banking system over the counter payment (OTCP), Any Branch Banking (ABB), SMS banking products were introduced and well serving the society during the year under review. The interface with NBE and EATS system is also operating at our City branches to enable check clearing at source.

### 5.3 BRANCH EXPANSION

During the just ended financial year, the Bank opened 41 additional branches in Finfinne and up country to attain a total of 106 branches, in contrast to the previous financial year during when only twenty branches were opened within a period of twelve months. The Bank has strategically moved towards opening more additional branches through concentrating on economically and potentially feasible locations with a sound branch distribution and networking and the business performance of the opened branches for the purpose of meeting its business growth and reaching the unbanked localities. Among the newly opened branches during the year Gonder, Shire, Humera, Assosa, Dilla and Jigjiga branches are from the new branches in Northern, western, Southern and Eastern Ethiopian parts. 31 branches of the 106 are in Finfinne and the remaining are in regional towns of which most of them are located in rural towns.



## 5.4 OTHER MAJOR ACTIVITIES

During the ended fiscal year, the Management and the Board of Directors of OIB have been working on policies, procedures and researches that enhances customer services, risk management and developments on top of fulfilling regulatory requirements. These documents are very crucial in leading OIB in its strategic direction set by its Board of Directors and major stakeholders, creating smooth working environment by guiding operator and ensuring best customer services professionally and transparently.

NO	OPERATIONAL POLICY AND PROCEDURES	NO	CORPORATE SUPPORT AREA
1	Deposit Mobilization Operational Manual,	17	Cash Operational Procedure Manual,
2	Revised Real Property Valuation Manual	18	Write-off/Back Procedure,
3	Revised Discretionary Lending Limit	19	Capital Management Policy,
4	Revised Bank Guarantee and Export Credit Facilities,	20	Liquidity Management Policy and procedure,
5	SWIFT Operational Manual	21	Acquired Asset Procedure,
6	Interest Free Export Facility Procedure,	22	Succession Planning Guidelines,
7	Cash Transfer and Shipment Guidelines,	23	Data Backup and Recovery Policy,
<b>AUDIT, RISK MANAGEMENT AND COMPLIANCE</b>			<b>Data Centre Management Procedure,</b>
8	IT & System Audit Guidelines,	24	Sharia Advisory Committee Charters,
9	Information System Risk Assessment and Management Policy	25	Interest Free Marketing Strategies,
10	Compliance Management Program,	26	Promotion Policy & Procedure,
11	Risk Tolerance Limits,		
12	Data Centre Security Policy,		
<b>RESEARCH AND DEVELOPMENT</b>			
13	New Bank Product	27	OIB Relatively poor performing branches trend analysis and appraisal study
14	OIB Head Office Cost Standardization	28	Banking Industry Special study
15	Business Advisory and Research Unit Establishment Possibility study	29	Customer Satisfaction Survey
16	Branch Opening, Research, Investment and New Product Development Guidelines	30	Media Impact Assessment



## 5.5 FUTURE PLANS

OIB intends to be the gateway to the missing middle, serving them with all financial access and loans to small and medium sized enterprises. 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 Technology based banking solution and access in the coming financial year to the newly opening branches, head office and to introduce new products/services such as ATM, POS, Debit and Credit cards, Mobile banking, Internet banking and other alternative banking services. Fund mobilization has become one of the major challenging activities in Ethiopian banking Industry since the OIB commenced business. Having understood this situation, the Bank will endeavour to attract prominent exporters and establish business relationship with renowned international money transfer service providers in the coming financial year as was in the previous years. We will also work hard to outreach the service of our interest free banking services which have been in operation over the last six months and promised as a potential product of the Bank. On the deposit mobilization side, more strategically and economically feasible locations will be identified and more branches will be opened and concerted efforts will be made to improve more deposit mobilization in particular and fund mobilization in general. 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. Design finalization and soil testing is also well underway for the construction of OIB's Head Quarter Complex at heart of Finfinne where the financial institution are gathering their future Head office as of now and will continue the process to facilitate the commencement of the construction in the coming years.



## **Oromia International Bank S.C Sharia Advisory Committee Annual Report**



Sh. Saleh Nur Ahmed  
Sharia Advisor



Sh. Aman Hussien Kabato  
Sharia Advisor



Sh. Mukhtar Khadir Mohammed  
Sharia Advisor



Nuradin Abda Alo  
Sharia Advisor

Dear Stakeholders of Oromia International Bank S.C. (OIB)

Sharia Advisory Committee (SAC) came into existence upon approval of its charter by Board of Directors and appointment of Sharia advisers effective April 1, 2014. SAC Secretariat/Manager office is already established and appropriate staff is hired and in charge of the office. Upon fulfilment of basic human and material resources, SAC has begun its work by addressing basic issues of compliance in the area of fund mobilization and utilization.

This report is issued pursuant to Sharia Advisory Committee's duty as a governance body within OIB structure entrusted with the assurance of Sharia compliance of Interest Free Banking Window's (IFBW) Policies, Procedures, Contracts, Formats, Systems, Products, Services and Transactions. The report is based on SAC's activities toward implementation of Sharia compliance system, and on the general review and inspections process conducted by the SAC at the end of the fiscal year 2013/14. Representations and evidences produced by the Interest Free Banking Department regarding IFBW's operation have also considerably assisted to consolidate the overall conclusions of this report.

The management of OIB holds the responsibility of Sharia compliance for all business transactions conducted by its IFBW. The SAC's responsibility is limited to pronouncement of its independent and objective opinion regarding the soundness of Sharia compliance systems and inspected transaction of OIB.

SAC have reviewed documentation and structure of the following basic products for fund mobilization. All products enumerated below have been approved as Sharia compliant products and Certificate of Sharia Compliance have been issued for the same.

NO.	Product Name in English	Product Name in Arabic
1	Wadia Saving Account	هع يدو) ريفوتلا باسح
	Amana Current Account	هن امأ) يراجلا باسحلا
2	Unrestricted Mudaraba Investment Account	هقلطملا ءبراضملا باسح
	Restricted Mudaraba Investment Account	ءديقملا هبراضملا باسح
3	Labbeyka Saving Account	لگيبل) ريفوتلا باسح



Interest free Export Financing Facility (IFEFF) or “Qard loan” was the only approved financing product during the fiscal year under consideration.

During review process SAC have obtained all information from the management that deemed necessary to provide sufficient evidences of the soundness of the Sharia compliance system set to work so far.

SAC have reviewed the operational procedure for opening and maintaining accounts. All documents and formats have been duly inspected. By the end of the report period, deposits under the approved products have reached Birr 174,969,758.85 from total accounts of 8,819 maintained in 76 branches of IFBW. Likewise accounts maintaining and bookkeeping system have been reviewed.


There were four financing transaction under (IFEFF) scheme with total Qard limits of Birr 26,800,000.00. All transactions’ documents have been reviewed for compliance assurance.


### Our Opinion


Upon conducting necessary review of governing principles and operations of IFBW of OIB for the year ended on 30 June, 2014, based on necessary information obtained from the management to reach independent and objective judgment, the SAC conclude that:

1. The governing principles and products adopted and launched by Interest Free Banking Window of OIB during the fiscal year ended on 30, June 2014 are all Sharia compliant.
2. Operationally, all documents, model agreement, and formats are Sharia compliant
3. The database for information technology solution for accounts maintaining and bookkeeping system is independent from conventional core banking system, and thus it is Sharia compliant.
4. The financing contracts and transactions concluded under (IFEFF)/ Qard scheme are Sharia compliant.

The Sharia Advisory Committee is grateful to the OIB management and its staff for their commitment to the Sharia compliance of its IFBW’s business activities.

  
 Sh. Saleh Nur Ahmed  
 Sharia Advisor

  
 Sh. Mukhtar Khadir Mohammed  
 Sharia Advisor

  
 Sh. Aman Hussien Kabato  
 Sharia Advisor





### OIB events of the year



Sharholders Meeting



Branch inauguration



Management meeting



Board of Directors Farewell





### Projects Financed



Ada'a Flour



Adulala Resort



ALFOZ plc



SNAP Construction



KAM plc



# AUDITORS' REPORT





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 ሁለት ዓይነት ኃላፊነት ያለበት  
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 ” +251-091-198 3572  
 አዲስ አበባ ኢትዮጵያ

**Degefa Lemessa Authorized Auditors  
 Limited Partnership  
 Chartered Certified  
 Accountants**  
 P.O.Box: 8118  
 E-mail: deg.lem@ethionet.et  
 Addis Ababa Ethiopia

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
 OROMIA INTERNATIONAL BANK SHARE COMPANY**

We have audited the accompanying financial statements of OROMIA INTERNATIONAL BANK S.C which comprise the statement of financial position as of 30 June 2014, the statement of comprehensive income, the statement changes in shareholders equity and statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information.

**Management's Responsibility for Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risk of material misstatements in the 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 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 the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OROMIA INTERNATIONAL BANK S.C as of 30 June 2014 and of its financial performance, changes in shareholders equity and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

We have no comment to make on the Board of Directors report relating to financial matters and pursuant to Article 375(1) of the Commercial Code of Ethiopia of 1960 we recommend that these financial statements be approved.



Addis Ababa  
September 25, 2014

*Degefa Lemessa*

Degefa Lemessa Authorized Auditors  
Limited Partnership,  
Chartered Certified Accountants



**OROMIA INTERNATIONAL BANK S.C**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

	NOTE	BIRR	BIRR	2013 BIRR
<b>ASSETS</b>				
Cash and bank balance				
Cash on hand	4	707,621,804		389,950,100
Deposit with foreign banks		250,278,181		318,908,985
Deposit with local banks		214,556,834		20,000,269
NBE reserve account		260,000,000		150,000,000
NBE payment & settlement account and issue account		<u>431,948,317</u>		<u>113,026,056</u>
			1,864,405,136	<u>991,885,409</u>
Other assets	5	481,012,357		123,743,545
Short term investment-treasury bills		-		209,517,000
Fixed time deposit with NBE		-		122,514,000
Investment in NBE Bills		1,094,649,000		707,898,000
Loan & advances	7	2,531,612,378		1,597,536,574
Fixed assets	2,3	113,715,350		103,778,929
Deferred expenditure	8	10,498,511		7,947,721
Deferred tax asset	11 (c)	1,330,208		282,678
Investment in other companies	6	<u>54,437,566</u>		<u>46,127,577</u>
			4,287,255,371	<u>2,919,346,024</u>
Total assets			<b><u>6,151,660,507</u></b>	<b><u>3,911,231,433</u></b>
<b>LIABILITIES</b>				
Deposits				
Demand deposit		2,096,735,020		1,216,403,604
Saving deposit		2,615,758,670		1,525,539,690
Fixed deposit		291,502,119		308,496,009
Profit tax payable	11 (a)	51,575,568		24,647,218
Other liabilities	10	<u>347,567,747</u>		<u>288,541,567</u>
Total liabilities			5,403,139,124	3,363,628,088
<b>CAPITAL &amp; RESERVES</b>				
Paid up capital		540,499,430		439,131,927
Share premium		7,461,780		3,754,468
Legal reserve		85,279,456		46,693,569
Retained earnings		<u>115,280,718</u>		<u>58,023,381</u>
			748,521,384	<u>547,603,345</u>
Total liabilities and capital			<b><u>6,151,660,507</u></b>	<b><u>3,911,231,433</u></b>

  
**ABERA TOLA**  
 Chairman, Board of Directors



  
**ABIE SANO**  
 President





**OROMIA INTERNATIONAL BANK S.C**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
<b>INCOME</b>				
Interest income	13		326,599,322	195,840,271
Commission and service charges	14		157,235,610	95,609,218
Gain from exchange rate fluctuation			23,761,186	26,588,010
Gain on foreign exchange dealings			26,249,497	10,353,181
Other income	15		<u>11,609,102</u>	<u>5,069,326</u>
			545,454,717	<u>333,460,006</u>
<b>EXPENSES</b>				
General and administrative	18	103,740,851		74,961,357
Salary and benefits	17	124,886,921		81,764,841
Provision for loans and advances		9,961,560		10,518,293
Project period Paid up capital & stock adjustment		206,740		-
Interest expense	16	101,400,119		63,722,615
Audit fee expense		92,000		90,982
Board allowances		<u>275,000</u>		<u>254,000</u>
Total expenses			<u>(340,563,191)</u>	<u>(231,312,089)</u>
Net profit for the year before tax			204,891,527	102,147,917
Provision for taxation			<u>(51,595,507)</u>	<u>(24,653,422)</u>
			153,296,020	77,494,495
Deferred tax asset / liability			<u>1,047,530</u>	<u>575,569</u>
Net profit after tax			154,343,550	78,070,063
Transfer to legal reserve			<u>(38,585,887)</u>	<u>(19,517,516)</u>
			115,757,662	58,552,548
Directors' share on profit			<u>(476,944)</u>	<u>(529,167)</u>
Retained earning for the year			115,280,718	<u>58,023,381</u>
Retained earning brought forward		58,023,381		33,290,560
Less: Transferred to paid up capital		45,285,954)		(30,484,908)
Dividend paid to shareholders		12,618,021)		(2,783,206)
Balance transferred to creditors		<u>(119,405)</u>		<u>(22,446.00)</u>
			-	-
Retained earning carried forward			<u>115,280,718</u>	<u>58,023,381</u>
<b>Average earning per share</b>			<u><b>310</b></u>	<u><b>192</b></u>

  
**ABERA TOLERA**  
 Chairman, Board of Directors

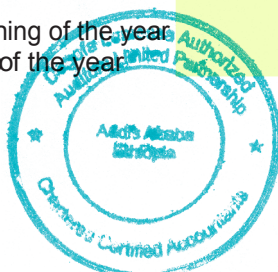




**OROMIA INTERNATIONAL BANK S.C**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	BIRR	BIRR	2013 BIRR
<b>Cash Flow from Operation Activity</b>			
Net profit before tax		204,891,527	102,147,917
Adjustment for:			
Depreciation & amortization		28,607,852	24,099,554
Provision for loans & advances		9,961,560	10,518,293
Paid up capital adjustment expense		356,644	
Gain on fixed assets disposal		-	(5,079)
Fixed assets & adjustments		233,203	(205,744)
Effect of exchange rate fluctuation & FOREX dealing		<u>(50,010,683)</u>	<u>(36,941,191)</u>
Cash flow before change in working capital		194,040,102	<u>99,613,751</u>
Increase in other assets	(357,268,812)		(32,570,960)
Increase in loan & advances	(944,037,365)		(601,631,937)
Increase in deposits			933,142,405
Increase in other liabilities	1,953,556,506		72,034,846
	<u>58,981,443</u>		<u>72,034,846</u>
Net cash inflow from operation		711,231,773	<u>370,974,354</u>
<b>TAXATION</b>			
Profit tax paid	24,647,218		15,641,633
Withholding tax paid	<u>19,939</u>		<u>6,204</u>
		<u>(24,667,157)</u>	<u>(15,647,837)</u>
		880,604,717	<u>454,940,268</u>
<b>Cash Flow from Investment Activities</b>			
Proceeds from fixed assets disposal	-		6,000
Purchase of fixed assets	(38,103,064)		(45,681,297)
Investment in deferred charges	(3,225,202)		(7,215,788)
Investment in treasury bills	209,517,000		14,965,725
Special fixed time deposit with NBE	122,514,000		(122,514,000)
Investment in NBE bills	(386,751,000)		(251,295,000)
Investment in other companies' shares	<u>(8,309,989)</u>		<u>(2,906,577)</u>
Cash out flow from investing activities		(104,358,255)	<u>(414,640,937)</u>
<b>Cash Flow from Financial Activities</b>			
Dividend paid in cash	(12,640,467)		(2,783,206)
Directors' share on profit paid	(529,167)		(525,000)
Share capital collected net dividend capitalized	55,661,928		34,096,078
Share premium collected	<u>3,770,288</u>		<u>1,089,434</u>
Net cash inflow from financing activity		46,262,582	31,877,306
<b>Effect of exchange rate fluctuation &amp; FOREX dealing</b>		<u>50,010,683</u>	<u>36,941,191</u>
Changes in cash & cash equivalent		872,519,727	109,117,827
Cash and cash equivalent at the beginning of the year		991,885,409	882,767,581
Cash and cash equivalent at the end of the year		<u>1,864,405,136</u>	<u>991,885,409</u>

**ABERA TOLA**  
Chairman, Board of Directors



**ABIE SANO**  
President





**OROMIA INTERNATIONAL BANK SHARE COMPANY  
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Paid up capital Birr</b>	<b>Share premium Birr</b>	<b>Legal reserve Birr</b>	<b>Retained earnings Birr</b>	<b>Total Birr</b>
<b>BALANCE AS AT 1 JULY 2012</b>	374,550,941	2,665,034	27,176,053	33,290,561	437,682,588
Dividend paid	-	-	-	(2,805,652)	(2,805,652)
Dividend capitalised	30,484,908	-	-	(30,484,908)	-
Share premium collected	-	1,089,434	-	-	1,089,434
Collection from subscribed & new shares issued	34,096,078	-	-	-	34,096,078
Net profit for the year	-	-	-	78,070,064	78,070,064
Directors' share on profit	-	-	-	(529,167)	(529,167)
Transfer to legal reserve	-	-	19,517,516	(19,517,516)	-
<b>BALANCE AS AT 1 JULY 2013</b>	<b><u>439,131,927</u></b>	<b><u>3,754,468</u></b>	<b><u>46,693,569</u></b>	<b><u>58,023,381</u></b>	<b><u>547,603,345</u></b>
Dividend paid	-	-	-	(12,737,428)	(12,737,428)
Dividend capitalised	45,285,954	-	-	(45,285,954)	-
Share premium collected	-	4,061,182	-	-	4,061,182
Collection from subscribed shares	60,186,045	-	-	-	60,186,045
Refunded to shareholders	(4,524,117)	(290,894)	-	-	(4,815,011)
Share Capital adjustment	356,644	-	-	-	356,644
Transfer from share premium	62,976	(62,976)	-	-	-
Net profit for the year	-	-	-	154,343,550	154,343,550
Directors' share on profit	-	-	-	(476,944)	(476,944)
Transfer to legal reserve	-	-	38,585,887	(38,585,887)	-
<b>BALANCE AS AT 1 JULY 2014</b>	<b><u>540,499,430</u></b>	<b><u>7,461,780</u></b>	<b><u>85,279,456</u></b>	<b><u>115,280,718</u></b>	<b><u>748,521,384</u></b>







**OROMIA INTERNATIONAL BANK S.C.**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**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

**3. Fixed assets in store are not depreciated**

**4. Deferred charges are depreciated at 20% per annum on straight line basis.**

**5. STOCKS**

Stocks are valued on FIFO costing base

**6. INVESTMENT**

Investment is carried at cost of acquisition

**7. 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.





## **8. 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.

## **9. GUARANTEES ISSUED**

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







### 3 FIXED ASSETS

a)

	Balance on 30/06/2013 Birr	Addition Birr	Adjustment Birr	Balance at 30/06/2014 Birr
<b>COST</b>				
Building	1,525,000	-	-	1,525,000
Motor vehicles	61,751,676	7,434,642	-	69,186,318
Furniture & fittings	18,843,576	11,575,745	16,651	30,435,971
Office equipment	24,202,677	8,251,410	(124,222)	32,329,864
Computer and accessories	26,262,632	7,829,218	48,071	34,139,921
Construction in progress	<u>19,126,932</u>	<u>3,012,050</u>	<u>-</u>	<u>22,138,982</u>
	<u>151,712,493</u>	<u>38,103,064</u>	<u>(59,500)</u>	<u>189,756,057</u>
<b>DEPRECIATION</b>				
Building	38,125	76,250	-	114,375
Motor vehicles	21,739,648	11,555,685	203,126	33,498,459
Furniture & fittings	7,767,771	4,828,945	-	12,596,716
Office equipment	7,462,175	5,496,031	(29,423)	12,928,783
Computer and accessories	<u>10,925,845</u>	<u>5,976,529</u>	<u>-</u>	<u>16,902,374</u>
	<u>47,933,564</u>	<u>27,933,440</u>	<u>173,703</u>	<u>76,040,706</u>
<b>BOOK VALUE</b>	<b><u>103,778,929</u></b>			<b><u>113,715,350</u></b>

b) The balance shown as construction in progress represents cost of buildings acquired to be demolished for the construction of the future Head Quarters of the Bank. The construction has not yet commenced. The net adjustment of Birr 233,203 has been passed against the following accounts

Expense	1,432
Head office	203,126
Uncleared effects	<u>28,645</u>
	<b><u>233,203</u></b>

### 4 CASH IN HAND

	2013 BIRR	2014 BIRR
Local currency in value	675,345,498	385,019,846
Foreign currency in Birr	<u>32,276,306</u>	<u>4,930,253</u>
	<b><u>707,621,804</u></b>	<b><u>389,950,100</u></b>





## 5 OTHER ASSETS

	<u>BIRR</u>	2013 <u>BIRR</u>
Supplies stock	9,869,543	3,225,308
Acquired properties	19,481,514	-
Fixed assets in store	10,376,719	5,506,085
Branches' under establishment	10,137,780	11,408,625
Staff debtors	21,497,315	12,607,037
Uncleared effect - local	73,751,079	35,245,478
Uncleared effect - foreign	46,702,836	10,542,271
Miscellaneous	1,051,755	2,224,903
Dividend receivable	3,438,856	-
Prepayments	39,920,718	33,163,401
Prepayment made for purchase of Head Quarters Office building	230,224,698	-
Interest receivable	<u>14,559,544</u>	<u>9,820,437</u>
	<b><u>481,012,357</u></b>	<b><u>123,743,545</u></b>

The uncleared effect local balance has been arrived at as follows

Branches' account with Head Office	(1,622,399,865)	794,357,838
Head Office's account with branches	1,577,859,522	(967,801,070)
Uncleared effects	<u>118,291,421</u>	<u>208,688,710</u>
	73,751,079	35,245,478

The uncleared effects constitutes of

Telegraphic transfer received	65,009,212	84,988,677
Claims on Head Office and Branches	25,070,303	88,274,469
Blocking outwards	936,809	1,845,365
Checks & CPOs paid	27,275,097	32,208,248
Cash in transit	-	<u>1,371,950</u>
	<b><u>118,291,421</u></b>	<b><u>208,688,710</u></b>

## 6 INVESTMENT

	<u>BIRR</u>	2013 <u>BIRR</u>
Oromia Insurance S.C	6,956,577	6,656,577
Gutu Oromia Business S.C	3,250,000	1,000,000
Elemtu Integrated Dairy Industry S.C	4,900,000	1,500,000
Elemo Kiltu House Building	500,000	500,000
OIB - ODA Real Estate Plc	25,191,000	25,191,000
Eth. Switch S.C	5,030,000	5,030,000
TBO Printing & Publishing S.C	1,875,000	-
Tsehay Industry S.C	<u>6,734,989</u>	<u>6,250,000</u>
	<b><u>54,437,566</u></b>	<b><u>46,127,577</u></b>





## 7 LOAN AND ADVANCES

	2013	2013
	<u>BIRR</u>	<u>BIRR</u>
Agriculture	75,790,606	34,727,647
Industry	154,843,628	110,803,994
Domestic trade and service	866,217,383	463,526,539
Export	402,462,078	308,543,343
Import	164,499,714	89,656,119
Construction	321,230,005	218,396,599
Transport & communication	188,810,225	123,258,890
Hotel & tourism	241,504,185	141,234,443
Mining, power & water resources	3,309,500	46,682
Microfinance institution	51,538,019	41,058,884
Consumer and personal loan	23,651,306	24,258,954
Non-performing loans	-	54,495,061
Mortgage loans	57,781,095	11,221,193
Interest free export facility (Quard loan)	13,627,969	-
	<u>2,565,265,714</u>	<u>1,621,228,350</u>
Less: Provision for loans and advances (7.a below)	<u>(33,653,336)</u>	<u>(23,691,776)</u>
	<b><u>2,531,612,378</u></b>	<b><u>1,597,536,574</u></b>

### 7.a PROVISION BY LOAN CLASSIFICATION

	2013	2013
	<u>BIRR</u>	<u>BIRR</u>
Loss	2,822,519	317,961
Doubtful	3,478,476	6,056,891
Substandard	1,605,837	1,458,222
Special mention	1,182,742	287,053
Pass	<u>24,563,763</u>	<u>15,571,648</u>
	<b><u>33,653,336</u></b>	<b><u>23,691,776</u></b>

## 8 DEFERRED EXPENDITURES

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

	Balance as at 30/06/13	Addition	Balance as at 30/06/14
<u>COST</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Establishment cost	6,777,205	-	6,777,205
Software-old	1,100,517	-	1,100,517
Software-New OMNI	7,215,788	3,225,202	10,440,991
Major office renovation Cost-Oda branch	<u>287,604</u>	-	<u>287,604</u>
	<u>15,381,114</u>	<u>3,225,202</u>	<u>18,606,316</u>
AMORTIZATION			
Establishment cost	6,325,391	451,814	6,777,205
Software-Old	935,439	165,078	1,100,517
Major office renovation cost-Oda branch	<u>172,562</u>	<u>57,521</u>	<u>230,083</u>
	<u>7,433,393</u>	<u>674,412</u>	<u>8,107,805</u>
Book value	<b><u>7,947,721</u></b>		<b><u>10,498,511</u></b>





## 9 DEPOSITS

a)

	DEMAND BIRR	SAVINGS BIRR	FIXED TIME BIRR	TOTAL BIRR	2013 BIRR
Over draft accounts	18,367,452	-	-	18,367,452	17,445,947
Non - resident, non-transferable	71,792,849	-	-	71,792,849	5,389,083
Cooperatives and associations	71,617,486	73,552,878	6,822,458	151,992,822	124,734,296
Non-bank financial institutions	26,703,376	17,336,494	-	44,039,870	76,948,485
Private sector	1,808,274,374	2,336,646,563	77,790,789	4,222,711,726	2,387,935,043
Public agencies and enterprises	7,716,236	3,048,415	4,000,000	14,764,652	17,000,740
Domestic banks & Insurance	5,539,826	1,272,793.69	202,888,872	209,701,492	257,997,952
Retention account	19,145,975	-	-	19,145,975	17,489,385
Government-Federal & Regional	639,256	-	-	639,256	127,954
Diaspora accounts	8,390,578	-	-	8,390,578	5,227,583
Special non-interest bearing	-	183,901,526	-	183,901,526	102,518,436
Correspondents- their accounts	9,619,119	-	-	9,619,119	10,876,228
ECX members' accounts	27,942,526	-	-	27,942,526	13,163,335
Residents' foreign currency accounts	<u>20,985,968</u>	-	-	<u>20,985,968</u>	<u>13,584,836</u>
	<b><u>2,096,735,020</u></b>	<b><u>2,615,758,670</u></b>	<b><u>291,502,119</u></b>	<b><u>5,003,995,809</u></b>	<b><u>3,050,439,303</u></b>
<b>2013</b>	<b><u>1,216,403,604</u></b>	<b><u>1,525,539,690</u></b>	<b><u>308,496,009</u></b>	<b><u>3,050,439,303</u></b>	

## 10 OTHER LIABILITIES

	BIRR	2013 BIRR
Income tax payable	1,328,345	2,252,564
Pension payable	413,004	-
Stamp duty charge	913,911.67	-
Interest on deposit	14,239,344	9,526,820
Accruals	8,363,970	5,367,076
Exchange payable to NBE	6,294,922	3,616,339.23
CPO & certified cheques issued	102,243,732	68,234,013
Withholding tax payable	264,185	-
Blocking in wards	872,705	656,895
TT payable	17,327,864	20,752,235
Audit fee payable	110,000	90,000
Miscellaneous	<u>9,514,662</u>	<u>2,953,229</u>
Dividend payable	119,405	22,446.23
Margin held on letters of credits	183,688,201	174,540,782
Interest tax payable	985,817	-
Deferred income	410,737	-
Directors share on profit	<u>476,944</u>	<u>529,167</u>
	<b><u>347,567,747</u></b>	<b><u>288,541,567</u></b>

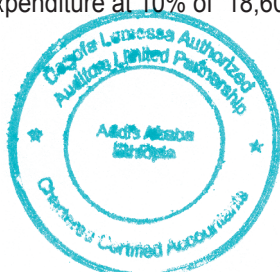




## 11 PROFIT TAX COMPUTATION

	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
<b>a) Net profit (loss) before taxation</b>		204,891,527	102,147,917
Add: depreciation and amortization expense for reporting purpose	28,607,852		24,099,554
Less: depreciation & amortization per tax proclamation	(25,116,085)		(22,180,992)
Add: Entertainment	602,341		462,254
Donation	98,647		445,096
Paid up capital adjustment	206,740		
Penalty	<u>80,000</u>		<u>30,000</u>
		4,479,495	<u>2,855,912</u>
Less: Interest income taxed at source/ deposited at foreign bank	(31,009)		(8,372)
Dividend income taxed at source	(3,923,845)		(656,577)
Gain on fixed assets disposal	-		(5,079)
Interest on NBE bills, treasury bills & special CDT with NBE	<u>(33,436,313)</u>		<u>(22,157,124)</u>
		<u>(37,391,167)</u>	<u>(22,827,151)</u>
Taxable profit		<u>171,979,854</u>	<u>82,176,679</u>
Provision for taxation- 30%		51,593,956	24,653,004
Interest 5% on deposit at foreign banks 31,009 @5%		<u>1,550</u>	<u>419</u>
		51,595,507	24,653,422
Withholding tax paid		<u>(19,939)</u>	<u>(6,204)</u>
Net current year profit tax		<u><b>51,575,568</b></u>	<u><b>24,647,218</b></u>

<b>b) Depreciation for tax purpose</b>	Building	Computer accessories	Other Business assets	Depreciation Total Birr
Depreciation base brought forward	1,525,000	14,828,506	65,533,995	
Fixed assets transferred to expense at their book value	-	-	(1,432)	
Current year additions	-	<u>7,829,218</u>	<u>27,261,796</u>	
Depreciation base at end of the year	1,525,000	22,657,724	92,794,359	
Depreciation 5%, 25% and 20%	<u>(76,250)</u>	<u>(5,664,431)</u>	<u>(18,558,872)</u>	<u>(24,299,553)</u>
Depreciation base carried forward	<u><b>1,525,000</b></u>	<u><b>16,993,293</b></u>	<u><b>74,235,487</b></u>	
Deferred expenditure at 10% of 18,606,316				<u>(816,533)</u>
				<u><b>(25,116,085)</b></u>







**c) Deferred tax asset/liability**

	<u>Birr</u>	2013 <u>BIRR</u>
Depreciation & amortization computed for reporting purpose	28,607,852	24,099,554
Depreciation & amortization computed for tax purpose	<u>(25,116,085)</u>	<u>(22,180,992)</u>
Temporary difference	3,491,767	1,918,562
Deferred tax asset @ 30%	1,047,530	575,569
Balance brought forward	<u>282,678</u>	<u>(292,891)</u>
Balance carried forward	<u><b>1,330,208</b></u>	<u><b>282,678</b></u>

**12 SHARE CAPITAL**

**(a) The details are as follows**

	Number of <u>shares</u>	Par value <u>BIRR</u>	Total <u>BIRR</u>	2013 <u>BIRR</u>
Subscribed capital	643,050	1,000	643,050,000	<u>533,309,000</u>
Fully paid up capital	540,499	1,000	540,499,430	<u><b>439,131,927</b></u>

**(b) The current year increase to Birr 101,367,503 has been attained as follows**

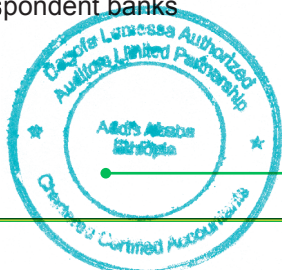
	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
Beginning balance		439,131,927	374,550,941
Opening balance adjustment	356,644		-
Refund to shareholders	(4,524,117)		-
Transfer from share premium	62,976		-
Retained earning capitalized	45,285,954		30,484,908
Current year share issues	<u>60,186,045</u>		<u>34,096,078</u>
		<u>101,367,503</u>	<u>64,580,986</u>
		<u><b>540,499,430</b></u>	<u><b>439,131,927</b></u>

The opening balance adjustment represents the prior year differences observed between shareholders' register book balance and the ledger balance. The adjustment has been made against current year expense to agree the ledger balance to the shareholders' register book balance.

**13 INTEREST EARNED**

The interest income has been earned on the following:

	<u>BIRR</u>	2013 <u>BIRR</u>
Loan and advances	293,132,000	173,674,776
Security / NBE bills/	26,707,603	17,814,133
Treasury bills	2,024,705	3,117,851
Fixed time deposit	2,922,096	1,225,140
Saving with domestic Banks	1,781,909	-
Correspondent banks	<u>31,009</u>	<u>8,372</u>
	<u><b>326,599,322</b></u>	<u><b>195,840,271</b></u>





## 14 COMMISSION AND SERVICE CHARGE

	2013	2013
	<u>BIRR</u>	<u>BIRR</u>
CPOs and cheques paid	561,715	290,167
Others	489,068	258,562
MTs, TTs and demand draft	8,528,004	11,989,536
Letter of guarantee	9,113,068	5,644,368
Opening commission on L/C	35,210,811	16,033,198
Services charges - local	5,300,166	3,224,897
Services charges - foreign	98,032,778	58,168,490
	<u><b>157,235,610</b></u>	<u><b>95,609,218</b></u>

## 15 OTHER INCOME

	2013	2013
	<u>BIRR</u>	<u>BIRR</u>
Cash overage	117,810	105,165
Estimation & inspection fee	889,330	486,307
Dividend income	3,923,845	656,577
Sundries	2,688,550	888,520
Commitment charge	75,873	73,978
Swift charge	656,248	-
Office rent	346,137	295,680
Postage telephone and telegram	2,911,168	2,563,098
Gain on fixed assets disposal	140	-
	<u><b>11,609,102</b></u>	<u><b>5,069,326</b></u>

## 16 INTEREST EXPENSE

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

	2013	2013
	<u>BIRR</u>	<u>BIRR</u>
Fixed time deposit	27,486,947	16,317,695
Saving deposit	71,866,425	47,320,499
Demand deposits	871,955	84,421
NBE borrowing	1,174,792	-
	<u><b>101,400,119</b></u>	<u><b>63,722,615</b></u>





## 17 SALARIES & BENEFITS

	<u>BIRR</u>	2013 <u>BIRR</u>
Medical & related	1,642,711	1,365,558
Utility allowance	448,546	267,300
Training & education	1,159,773	609,109
Uniform	776,396	849,117
Transportation & fuel allowances	8,520,253	4,527,009
Salaries	78,634,291	55,675,549
Acting allowance	8,409	47,426
Severance and top up allowance	141,033	354,724
Provident fund contribution	11,133,686	8,115,545
Representation allowance	1,105,994	613,768
Housing allowance	2,053,794	1,281,536
Cash indemnity allowance	2,604,844	1,913,713
Disturbance allowance	67,600	27,000
Overtime	826,783	575,637
Accrued Leave	3,357,851	1,674,619
Staff insurance	949,672	783,606
Bonus expense	6,733,054	-
Hardship allowance	4,722,233	3,077,625
Funerals expenses	-	6,000
	<b><u>124,886,921</u></b>	<b><u>81,764,841</u></b>

## 18 GENERAL EXPENSES

	<u>BIRR</u>	2013 <u>BIRR</u>
Advertisement & publicity	3,898,913	1,897,024
Parking	11,709	10,522
Donations & contribution	98,647	445,096
Entertainment & conference	602,341	462,254
Inauguration	275,862	484,130
Property insurance	2,304,253	1,704,427
Consultancy fee	11,200	75,775
Cheque books	4,010	32,946
Repair & maintenance	3,361,183	1,827,575
Subscription	283,909	14,874
License fees	93,088	17,050
Office rent	29,411,441	19,261,154
Travel and per diem	2,828,199	1,777,985
Fuel & lubricant	3,789,991	2,757,625
Postage	177,437	216,445





Stationery, printing and office supplies	8,277,876	5,941,623
Sundries	1,751,893	1,033,084
Telephone, swift & internet	8,402,669	5,610,200
Transportation	2,488,753	1,345,823
Wages	1,282,555	773,404
Water & electricity	421,776	262,285
Revenue stamps	9,103	12,021
Depreciation & amortization	28,607,852	24,099,554
Cleaning supplies	199,315	202,094
Motor vehicle inspection	249,271	134,189
Money bag	3,424	1,943
Membership fees	36,920	75,000
Penalty	-	30,000
Bank charge	2,005,392	2,180,501
Legal	102,309	-
General assembly meetings	<u>2,749,561</u>	<u>2,274,753</u>
	<b><u>103,740,851</u></b>	<b><u>74,961,357</u></b>

	2013	
	<b><u>BIRR</u></b>	<b><u>BIRR</u></b>
EARNING PER SHARE		
Earning for the year	154,193,646	78,070,064
Weighted average number of shares during the year	<u>498,196</u>	<u>406,841</u>
	<b><u>310</u></b>	<b><u>192</u></b>

## 19 CONTINGENT LIABILITY AND COMMITMENT BALANCES

	2013	
	<b><u>BIRR</u></b>	<b><u>BIRR</u></b>
Liability on acceptance of L/C	2,766,273	2,766,273.22
Contingent liability on guarantees issued	240,084,590	143,822,847
Loan approved but not disbursed	231,443,284	243,498,656
Unutilized overdraft and other facilities	308,950,183	10,336,065
Commitment on letters of credit net of the margin held	<u>276,150,321</u>	<u>354,780,815</u>
	<b><u>1,059,394,652</u></b>	<b><u>755,204,656</u></b>

## 20 MEMORANDUM ACCOUNT

	2013	
	<b><u>BIRR</u></b>	<b><u>BIRR</u></b>
Interest on non-performing loans	4,936,569	10,733,715
Money bags	2,354	1,566
Outward bills for collections	17,832,876	9,791,243
Import document under L/C	1,128,625	-
Inward bills for collection sight	<u>69,500,092</u>	<u>23,626,030</u>
	<b><u>93,400,516</u></b>	<b><u>44,152,554</u></b>






**CONVENTIONAL  
BANKING**





**OROMIA INTERNATIONAL BANK S.C**  
**STATEMENT OF FINANCIAL POSITION- CONVENTIONAL BANKING**  
**AS AT 30 JUNE 2014**

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
<b>ASSETS</b>				
Cash and bank balance				
Cash on hand	4	599,119,473		389,950,100
Deposit with foreign banks		250,278,181		318,908,985
Deposit with local banks		214,556,834		20,000,269
NBE reserve account		260,000,000		150,000,000
NBE payment & settlement account and issue account		<u>431,948,317</u>		<u>113,026,056</u>
			1,755,902,805	991,885,409
Other assets	5	477,754,071		123,743,545
Short term investment-treasury bills		-		209,517,000
Fixed time deposit with NBE		-		122,514,000
Investment in NBE Bills		1,094,649,000		707,898,000
Loan & advances	7	2,517,984,409		1,597,536,574
Fixed assets	2,3	113,715,350		103,778,929
Deferred expenditure	8	10,498,511		7,947,721
Deferred tax asset	11 (c)	1,330,208		282,678
Investment in other companies	6	<u>54,437,566</u>		<u>46,127,577</u>
Total assets			<u>4,270,369,116</u>	<u>2,919,346,024</u>
			<b><u>6,026,271,921</u></b>	<b><u>3,911,231,433</u></b>
<b>LIABILITIES</b>				
Deposits				
Demand deposit		2,054,417,038		1,216,403,604
Saving deposit		2,483,106,894		1,525,539,690
Fixed deposit		291,502,119		308,496,009
Profit tax payable	11 (a)	51,619,034		24,647,218
Other liabilities	10	<u>347,554,054</u>		<u>288,541,567</u>
Total liabilities			5,228,199,139	<u>3,363,628,088</u>
<b>CURRENT ACCOUNT WITH IFB</b>			49,599,881	-
<b>CAPITAL &amp; RESERVES</b>				
Paid up capital			540,499,430	439,131,927
Share premium			7,461,780	3,754,468
Legal reserve			85,267,336	46,693,569
Retained earnings/Loss/			<u>115,244,357</u>	<u>58,023,381</u>
Total liabilities and capital			<u>748,472,902</u>	<u>547,603,345</u>
			<b><u>6,026,271,921</u></b>	<b><u>3,911,231,433</u></b>

  
**ABERA TOLA**  
 Chairman, Board of Directors




  
**ABIE SANO**  
 President





**OROMIA INTERNATIONAL BANK S.C**  
**STATEMENT OF COMPREHENSIVE INCOME-CONVENTIONAL BANKING**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
<b>INCOME</b>				
Interest income	13		326,599,322	195,840,271
Commission and service charges	14		157,230,594	95,609,218
Gain from exchange rate fluctuation			23,761,186	26,588,010
Gain on foreign exchange dealings			26,249,497	10,353,181
Other income	15		<u>11,609,102</u>	<u>5,069,326</u>
			545,449,701	333,460,006
<b>EXPENSES</b>				
General and administrative	18	103,740,851		74,961,357
Salary and benefits	17	124,886,921		81,764,841
Provision for loans and advances		9,961,560		10,518,293
Project period Paid up capital & stock adjustment		206,740		-
Interest expense	16	101,400,119		63,722,615
Audit fee expense		92,000		90,982
Board allowances		<u>275,000</u>		<u>254,000</u>
Total expenses			<u>(340,563,191)</u>	<u>(231,312,089)</u>
Net profit for the year before tax			204,886,511	102,147,917
Provision for taxation			<u>(51,638,973)</u>	<u>(24,653,422)</u>
			153,247,537	77,494,495
Deferred tax asset / liability			<u>1,047,530</u>	<u>575,569</u>
Net profit after tax			154,295,067	78,070,063
Transfer to legal reserve			<u>(38,573,767)</u>	<u>(19,517,516)</u>
			115,721,301	58,552,548
Directors' share on profit			<u>(476,944)</u>	<u>(529,167)</u>
Retained earning for the year			115,244,357	58,023,381
Retained earning brought forward		58,023,381		33,290,560
Less: Transferred to paid up capital		(45,285,954)		(30,484,908)
Dividend paid to shareholders		(12,618,021)		(2,783,206)
Balance transferred to creditors		<u>(119,405)</u>		<u>(22,446)</u>
			-	-
Retained earning carried forward			<u><b>115,244,357</b></u>	<u><b>58,023,381</b></u>
Average earning per share			<u>310</u>	192

  
**ABERA TOLA**  
 Chairman, Board of Directors



  
**ABIE SANO**  
 President





**OROMIA INTERNATIONAL BANK S.C**  
**CASH FLOW STATEMENT-CONVENTIONAL BANKING**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
<b><u>Cash Flow from Operation Activity</u></b>			
Net profit before tax		204,886,511	102,147,917
Adjustment for:			
Depreciation & amortization		28,607,852	24,099,554
Provision for loans & advances		9,961,560	10,518,293
Paid up capital adjustment expense		356,644	
Gain on fixed assets disposal		-	(5,079)
Fixed assets & adjustments		233,203	(205,744)
Effect of exchange rate fluctuation & FOREX dealing		<u>(50,010,683)</u>	<u>(36,941,191)</u>
Cash flow before change in working capital		194,035,086	99,613,751
Increase in other assets	(354,010,526)		(32,570,960)
Increase in loan & advances	(930,409,396)		(601,631,937)
Increase in deposits	1,778,586,747		933,142,405
Increase in other liabilities	58,967,751		72,034,846
Increase in current account with IFB	<u>49,599,881</u>		
 		602,734,457	370,974,354
Net cash inflow from operation			
<b><u>TAXATION</u></b>			
Profit tax paid	24,647,218		15,641,633
Withholding tax paid	<u>19,939</u>		<u>6,204</u>
		<u>(24,667,157)</u>	<u>(15,647,837)</u>
		772,102,386	454,940,268
<b><u>Cash Flow from Investment Activities</u></b>			
Proceeds from fixed assets disposal	-		6,000
Purchase of fixed assets	(38,103,064)		(45,681,297)
Investment in deferred charges	(3,225,202)		(7,215,788)
Investment in treasury bills	209,517,000		14,965,725
Special fixed time deposit with NBE	122,514,000		(122,514,000)
Investment in NBE bills	(386,751,000)		(251,295,000)
Investment in other companies' shares	<u>(8,309,989)</u>		<u>(2,906,577)</u>
Cash out flow from investing activities		(104,358,255)	(414,640,937)
<b><u>Cash Flow from Financial Activities</u></b>			
Dividend paid in cash	(12,640,467)		(2,783,206)
Directors' share on profit paid	(529,167)		(525,000)
Share capital collected net dividend capitalized	55,661,928		34,096,078
Share premium collected	<u>3,770,288</u>		<u>1,089,434</u>
Net cash inflow from financing activity		46,262,582	31,877,306
Effect of exchange rate fluctuation & FOREX dealing		50,010,683	36,941,191
Changes in cash & cash equivalent		<u>764,017,396</u>	<u>109,117,827</u>
Cash and cash equivalent at the beginning of the year		991,885,409	882,767,581
Cash and cash equivalent at the end of the year		<b><u>1,755,902,806</u></b>	<b><u>991,885,409</u></b>

**ABERA TOLA**  
Chairman, Board of Directors



**ABIE SANO**  
President





### 3 FIXED ASSETS

a)

	Balance on 30/06/2013 <b>Birr</b>	Addition <b>Birr</b>	Adjustment <b>Birr</b>	Balance at 30/06/2014 <b>Birr</b>
<b>COST</b>				
Building	1,525,000	-	-	1,525,000
Motor vehicles	61,751,676	7,434,642	-	69,186,318
Furniture & fittings	18,843,576	11,575,745	16,651	30,435,971
Office equipment	24,202,677	8,251,410	(124,222)	32,329,864
Computer and accessories	26,262,632	7,829,218	48,071	34,139,921
Construction in progress	<u>19,126,932</u>	<u>3,012,050</u>	<u>-</u>	<u>22,138,982</u>
	<u>151,712,493</u>	<u>38,103,064</u>	<u>(59,500)</u>	<u>189,756,057</u>
<b>DEPRECIATION</b>				
Building	38,125	76,250	-	114,375
Motor vehicles	21,739,648	11,555,685	203,126	33,498,459
Furniture & fittings	7,767,771	4,828,945	-	12,596,716
Office equipment	7,462,175	5,496,031	(29,423)	12,928,783
Computer and accessories	<u>10,925,845</u>	<u>5,976,529</u>	<u>-</u>	<u>16,902,374</u>
	<u>47,933,564</u>	<u>27,933,440</u>	<u>173,703</u>	<u>76,040,706</u>
<b>BOOK VALUE</b>	<b><u>103,778,929</u></b>			<b><u>113,715,350</u></b>

b) The balance shown as construction in progress represents cost of buildings acquired to be demolished for the construction of the future Head Quarters of the Bank. The construction has not yet commenced. The net adjustment of Birr 233,203 has been passed against the following accounts

	<b>BIRR</b>
Expense	1,432
Head office	203,203
Uncleared effects	<u>28,676</u>
	<b><u>233,311</u></b>

### 4 CASH IN HAND

	<b>BIRR</b>	2013 <b>BIRR</b>
Local currency in value	566,843,166	385,019,846
Foreign currency in Birr	<u>32,276,306</u>	<u>4,930,253</u>
	<b><u>599,119,473</u></b>	<b><u>389,950,100</u></b>





## 5 OTHER ASSETS

	<u>BIRR</u>	2013 <u>BIRR</u>
Supplies stock	9,607,071	3,225,308
Acquired properties	19,481,514	-
Fixed assets in store	10,376,719	5,506,085
Branches' under establishment	10,137,204	11,408,625
Staff debtors	21,497,315	12,607,037
Uncleared effect - local	73,729,431	35,245,478
Uncleared effect - foreign	43,729,245	10,542,271
Miscellaneous	1,051,755	2,224,903
Dividend receivable	3,438,856	-
Prepayments	39,920,718	33,163,401
Prepayment made for purchase of Head Quarters Office building	230,224,698	-
Interest receivable	14,559,544	9,820,437
	<b><u>477,754,071</u></b>	<b><u>123,743,545</u></b>
The uncleared effect local balance has been arrived at as follows		
Branches' account with Head Office	(1,622,399,865)	794,357,838
Head Office's account with branches	1,577,837,874	(967,801,070)
Uncleared effects	118,291,421	208,688,710
	<b><u>73,729,431</u></b>	<b><u>35,245,478</u></b>
The uncleared effects constitutes of		
Telegraphic transfer received	65,009,212	84,988,677
Claims on Head Office and Branches	25,070,303	88,274,469
Blocking outwards	936,809	1,845,365
Checks & CPOs paid	27,275,097	32,208,248
Cash in transit	-	1,371,950
	<b><u>118,291,421</u></b>	<b><u>208,688,710</u></b>

## 6 INVESTMENT

	<u>BIRR</u>	2013 <u>BIRR</u>
Oromia Insurance S.C	6,956,577	6,656,577
Gutu Oromia Business S.C	3,250,000	1,000,000
Elemtu Integrated Dairy Industry S.C	4,900,000	1,500,000
Elemo Kiltu House Building	500,000	500,000
OIB - ODA Real Estate Plc	25,191,000	25,191,000
Eth. Switch S.C	5,030,000	5,030,000
TBO Printing & Publishing S.C	1,875,000	-
Tseyhay Industry S.C	6,734,989	6,250,000
	<b><u>54,437,566</u></b>	<b><u>46,127,577</u></b>







## 7 LOAN AND ADVANCES

	<b>BIRR</b>	2013 <b>BIRR</b>
Agriculture	75,790,606	34,727,647
Industry	154,843,628	110,803,994
Domestic trade and service	866,217,383	463,526,539
Export	402,462,078	308,543,343
Import	164,499,714	89,656,119
Construction	321,230,005	218,396,599
Transport & communication	188,810,225	123,258,890
Hotel & tourism	241,504,185	141,234,443
Mining, power & water resources	3,309,500	46,682
Microfinance institution	51,538,019	41,058,884
Consumer and personal loan	23,651,306	24,258,954
Non-performing loans	-	54,495,061
Mortgage loans	<u>57,781,095</u>	<u>11,221,193</u>
	2,551,637,745	1,621,228,350
Less: Provision for loans and advances (7.a below)	<u>(33,653,336)</u>	<u>(23,691,776)</u>
	<b><u>2,517,984,409</u></b>	<b><u>1,597,536,574</u></b>

### a PROVISION BY LOAN CLASSIFICATION

	<b>BIRR</b>	2013 <b>BIRR</b>
Loss	2,822,519	317,961
Doubtful	3,478,476	6,056,891
Substandard	1,605,837	1,458,222
Special mention	1,182,742	287,053
Pass	<u>24,563,763</u>	<u>15,571,648</u>
	<b><u>33,653,336</u></b>	<b><u>23,691,776</u></b>

## 8 DEFERRED EXPENDITURES

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

	Balance as at 30/06/13 <b>Birr</b>	Addition <b>Birr</b>	Balance as at 30/06/14 <b>Birr</b>
<b>COST</b>			
Establishment cost	6,777,205	-	6,777,205
Software-old	1,100,517	-	1,100,517
Software-New OMNI	7,215,788	3,225,202	10,440,991
Major office renovation Cost-Oda branch	<u>287,604</u>	-	<u>287,604</u>
	<u>15,381,114</u>	<u>3,225,202</u>	<u>18,606,316</u>
<b>AMORTIZATION</b>			
Establishment cost	6,325,391	451,814	6,777,205
Software-Old	935,439	165,078	1,100,517
Major office renovation cost-Oda branch	<u>172,562</u>	<u>57,521</u>	230,083
	<u>7,433,393</u>	<u>674,412</u>	<u>8,107,805</u>
Book value	<b><u>7,947,721</u></b>		<b><u>10,498,511</u></b>





## 9 DEPOSITS

a)	DEMAND	SAVINGS	FIXED TIME	TOTAL	2013
	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>	<u>BIRR</u>
Over draft accounts	18,367,452	-	-	18,367,452	17,445,947
Non - resident, non-transferable	71,792,849	-	-	71,792,849	5,389,083
Cooperatives and associations	70,845,378	70,829,771	6,822,458	148,497,607	124,734,296
Non-bank financial institutions	26,703,376	17,336,494	-	44,039,870	76,948,485
Private sector	1,766,728,500	2,206,717,893	77,790,789	4,051,237,182	2,387,935,043
Public agencies and enterprises	7,716,236	3,048,415	4,000,000	14,764,652	17,000,740
Domestic banks & Insurance	5,539,826	1,272,794	202,888,872	209,701,492	257,997,952
Retention account	19,145,975	-	-	19,145,975	17,489,385
Government-Federal & Regional	639,256	-	-	639,256	127,954
Diaspora accounts	8,390,578	-	-	8,390,578	5,227,583
Special non-interest bearing	-	183,901,526	-	183,901,526	102,518,436
Correspondents- their accounts	9,619,119	-	-	9,619,119	10,876,228
ECX members' accounts	27,942,526	-	-	27,942,526	13,163,335
Residents' foreign currency accounts	20,985,968	-	-	20,985,968	13,584,836
	<b><u>2,054,417,038</u></b>	<b><u>2,483,106,894</u></b>	<b><u>291,502,119</u></b>	<b><u>4,829,026,050</u></b>	<b><u>3,050,439,303</u></b>
<b>2013</b>	<b><u>1,216,403,604</u></b>	<b><u>1,525,539,690</u></b>	<b><u>308,496,009</u></b>	<b><u>3,050,439,303</u></b>	

## 10 OTHER LIABILITIES

	2013	
	<u>BIRR</u>	<u>BIRR</u>
Income tax payable	1,328,345	2,252,564
Pension payable	413,004	-
Stamp duty charge	913,912	-
Interest on deposit	14,239,344	9,526,820
Accruals	8,363,970	5,367,076
Exchange payable to NBE	6,294,922	3,616,339
CPO & certified cheques issued	102,243,732	68,234,013
Withholding tax payable	264,185	-
Blocking in wards	871,005	656,895
TT payable	17,327,864	20,752,235
Audit fee payable	110,000	90,000
Miscellaneous	9,502,669	2,953,229
Dividend payable	119,405	22,446
Margin held on letters of credits	183,688,201	174,540,782
Interest tax payable	985,817	-
Deferred income	410,737	-
Directors share on profit	476,944	529,167
	<b><u>347,554,054</u></b>	<b><u>288,541,567</u></b>





## 11 PROFIT TAX COMPUTATION

	<u>BIRR</u>	<u>BIRR</u>	2013 <u>BIRR</u>
a Net profit (loss) before taxation		204,886,511	102,147,917
Add: depreciation and amortization expense for reporting purpose	28,607,852		24,099,554
Less: depreciation & amortization per tax proclamation	(25,116,085)		(22,180,992)
Add: Entertainment	602,341		462,254
Donation	98,647		445,096
Paid up capital adjustment	356,644		
Penalty	<u>80,000</u>		<u>30,000</u>
		4,629,399	2,855,912
Less: Interest income taxed at source/ deposited at foreign bank	(31,009)		(8,372)
Dividend income taxed at source	(3,923,845)		(656,577)
Gain on fixed assets disposal			(5,079)
Interest on NBE bills, treasury bills & special CDT with NBE	<u>(33,436,313)</u>		<u>(22,157,124)</u>
		<u>(37,391,167)</u>	<u>(22,827,151)</u>
Taxable profit		<u>172,124,743</u>	82,176,679
Provision for taxation- 30%		51,637,423	24,653,004
Interest 5% on deposit at foreign banks 31,009 @5%		<u>1,550</u>	419
		51,638,973	24,653,422
Less: over paid profit tax			
Withholding tax paid		<u>(19,939)</u>	<u>(6,204)</u>
Net current year profit tax		<u><b>51,619,034</b></u>	<u><b>24,647,218</b></u>

### b Depreciation for tax purpose

	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>	<u>Birr</u>
Depreciation base brought forward	1,525,000	14,828,506	65,533,995	
Fixed assets transferred to expense	-	-	(1,432)	
Current year additions	-	<u>7,829,218</u>	<u>27,261,796</u>	
Depreciation base at end of the year	1,525,000	22,657,724	92,794,359	
Depreciation 5%, 25% and 20%	<u>(76,250)</u>	<u>(5,664,431)</u>	<u>(18,558,872)</u>	(24,299,553)
Depreciation base carried forward	1,525,000	16,993,293	74,235,487	
Deferred expenditure at 10% of 8165325.54				<u>(816,533)</u>
				<u><b>(25,116,085)</b></u>





c Deferred tax asset/liability

	<b>Birr</b>	2013 <b>Birr</b>
Depreciation & amortization computed for reporting purpose	28,607,852	24,099,554
Depreciation & amortization computed for tax purpose	<u>(25,116,085)</u>	<u>(22,180,992)</u>
Temporary difference	3,491,767	1,918,562
Deferred tax asset @ 30%	1,047,530	575,569
Balance brought forward	<u>282,678</u>	<u>(292,891)</u>
Balance carried forward	<b><u>1,330,208</u></b>	<b><u>282,678</u></b>

## 12 SHARE CAPITAL

(a) The details are as follows

	Number of shares	Par value <b>BIRR</b>	Total <b>BIRR</b>	2013 <b>BIRR</b>
Subscribed capital	643,050	1,000	643,050,000	533,309,000
Fully paid up capital	540,143	1,000	540,499,430	439,131,927

(b) The current year increase of Birr 101,367,503 has been attained as follows

	<b>BIRR</b>	2013 <b>BIRR</b>
Beginning balance	439,131,927	374,550,941
Opening balance adjustment	356,644	-
Refund to shareholders	(4,524,117)	-
Transfer from share premium	62,976	-
Retained earning capitalized	45,285,954	30,484,908
Current year share issues	<u>60,186,045</u>	<u>34,096,078</u>
	<u>101,367,503</u>	<u>64,580,986</u>
	<b><u>540,499,430</u></b>	<b><u>439,131,927</u></b>

The opening balance adjustment represents the prior year differences observed between shareholders' register book balance and the ledger balance. The adjustment has been made against current year expense to agree the ledger balance to the shareholders' register book balance.

## 13 INTEREST EARNED

The interest income has been earned on the following:

	<b>BIRR</b>	2013 <b>BIRR</b>
Loan and advances	293,132,000	173,674,776
Security / NBE bills/	26,707,603	17,814,133
Treasury bills	2,024,705	3,117,851
Fixed time deposit	2,922,096	1,225,140
Saving with domestic Banks	1,781,909	-
Correspondent banks	31,009	8,372
	<u>326,599,322</u>	<u>195,840,271</u>





## 14 COMMISSION AND SERVICE CHARGE

	2013	
	<u>BIRR</u>	<u>BIRR</u>
CPOs and cheques paid	561,715	290,167
Others	489,068	258,562
MTs, TTs and demand draft	8,528,004	11,989,536
Letter of guarantee	9,113,068	5,644,368
Opening commission on L/C	35,210,811	16,033,198
Services charges - local	5,300,166	3,224,897
Services charges - foreign	<u>98,027,762</u>	<u>58,168,490</u>
	<b><u>157,230,594</u></b>	<b><u>95,609,218</u></b>

## 15 OTHER INCOME

	2013	
	<u>BIRR</u>	<u>BIRR</u>
Cash overage	117,810	105,165
Estimation & inspection fee	889,330	486,307
Dividend income	3,923,845	656,577
Sundries	2,688,550	888,520
Commitment charge	75,873	73,978
Swift charge	656,248	-
Office rent	346,137	295,680
Postage telephone and telegram	2,911,168	2,563,098
Gain on fixed assets disposal	140	-
	<u>11,609,102</u>	<u>5,069,326</u>

## 16 INTEREST EXPENSE

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

	2013	
	<u>BIRR</u>	<u>BIRR</u>
Fixed time deposit	27,486,947	16,317,695
Saving deposit	71,866,425	47,320,499
Demand deposits	871,955	84,421
NBE borrowing	<u>1,174,792</u>	<u>-</u>
	<b><u>101,400,119</u></b>	<b><u>63,722,615</u></b>







## 17 SALARIES & BENEFITS

	<u>BIRR</u>	2013 <u>BIRR</u>
Medical & related	1,642,711	1,365,558
Utility allowance	448,546	267,300
Training & education	1,159,773	609,109
Uniform	776,396	849,117
Transportation & fuel allowances	8,520,253	4,527,009
Salaries	78,634,291	55,675,549
Acting allowance	8,409	47,426
Severance and top up allowance	141,033	354,724
Provident fund contribution	11,133,686	8,115,545
Representation allowance	1,105,994	613,768
Housing allowance	2,053,794	1,281,536
Cash indemnity allowance	2,604,844	1,913,713
Disturbance allowance	67,600	27,000
Overtime	826,783	575,637
Accrued Leave	3,357,851	1,674,619
Staff insurance	949,672	783,606
Bonus expense	6,733,054	-
Hardship allowance	4,722,233	3,077,625
Funerals expenses	-	6,000
	<b><u>124,886,921</u></b>	<b><u>81,764,841</u></b>

## 18 GENERAL EXPENSES

	<u>BIRR</u>	2013 <u>BIRR</u>
Advertisement & publicity	3,898,913	1,897,024
Parking	11,709	10,522
Donations & contribution	98,647	445,096
Entertainment & conference	602,341	462,254
Inauguration	275,862	484,130
Property insurance	2,304,253	1,704,427
Consultancy fee	11,200	75,775
Cheque books	4,010	32,946
Repair & maintenance	3,361,183	1,827,575
Subscription	283,909	14,874
License fees	93,088	17,050
Office rent	29,411,441	19,261,154
Travel and per diem	2,828,199	1,777,985
Fuel & lubricant	3,789,991	2,757,625
Postage	177,437	216,445
Stationery, printing and office supplies	8,277,876	5,941,623
Sundries	1,751,893	1,033,084





Telephone, swift & internet	8,402,669	5,610,200
Transportation	2,488,753	1,345,823
Wages	1,282,555	773,404
Water & electricity	421,776	262,285
Revenue stamps	9,103	12,021
Depreciation & amortization	28,607,852	24,099,554
Cleaning supplies	199,315	202,094
Motor vehicle inspection	249,271	134,189
Money bag	3,424	1,943
Membership fees	36,920	75,000
Penalty	-	30,000
Bank charge	2,005,392	2,180,501
Legal	102,309	-
General assembly meetings	2,749,561	2,274,753
	<b>103,740,851</b>	<b>74,961,357</b>

**EARNING PER SHARE**

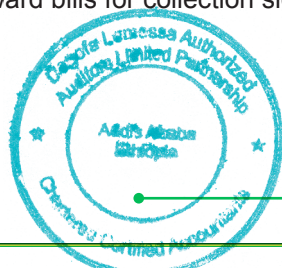
	2013	
	BIRR	BIRR
Earning for the year	154,295,067	78,070,064
Weighted average number of shares during the year	498,196	406,841
	<b>310</b>	<b>192</b>

**19 CONTINGENT LIABILITY AND COMMITMENT BALANCES**

	2013	
	BIRR	BIRR
Liability on acceptance of L/C	2,766,273	2,766,273
Contingent liability on guarantees issued	240,084,590	143,822,847
Loan approved but not disbursed	231,443,284	243,498,656
Unutilized overdraft and other facilities	308,950,183	10,336,065
Commitment on letters of credit net of the margin held	459,838,523	354,780,815
	<b>1,243,082,853</b>	<b>755,204,656</b>

**20 MEMORANDUM ACCOUNT**

	2013	
	BIRR	BIRR
Interest on non-performing loans	4,936,569	10,733,715
Money bags	2,354	1,566
Outward bills for collections	17,832,876	9,791,243
Import document under L/C	1,128,625	-
Inward bills for collection sight	69,500,092	23,626,030
	<b>93,400,516</b>	<b>44,152,554</b>





**INTEREST FREE  
BANKING**



**OROMIA INTERNATIONAL BANK S.C**  
**STATEMENT OF FINANCIAL POSITION- INTEREST FREE BANKING**  
**AS AT 30 JUNE 2014**

**ASSETS EMPLOYED**

Cash on hand	108,502,331
Other assets- branch under opening	576
Uncleared effect foreign- ODBP	2,973,591
Supplies stock	262,472
Interest free export facility (Quard loan)	13,627,969
Head office account	<u>18,137</u>

**TOTAL ASSETS**

125,385,076

**CURRENT ACCOUNT WITH CONVENTIONAL BANKING**

49,599,881

**174,984,956**

**LIABILITIES**

**DEPOSITS**

Demand deposits( Amana)-Private sector	41,545,874
Demand deposits( Amana)-Co-operatives	772,108
Saving deposits (Wadia)-Private sector	129,928,670
Saving deposits (Wadia)-Co-operatives	<u>2,723,107</u>

174,969,759

Other liabilities-Blocking inward	1,700
Profit tax payable	1,505
Other liabilities-sundry	<u>11,993</u>

15,197

**TOTAL LIABILITIES**

**174,984,956**



**ABERA TOLA**

Chairman, Board of Directors

**ABIE SANO**  
President



**OROMIA INTERNATIONAL BANK S.C**  
**STATEMENT OF COMPREHENSIVE INCOME-INTEREST FREE BANKING**  
**FOR THE YEAR ENDED 30 JUNE 2014**

Service charge income	5,016
Provision for taxation	<u>(1,505)</u>
Profit after tax	3,511
Transfer to head office account	<u>(3,511)</u>
	<u>-</u>



*(Handwritten signature of Abera Tola)*

**ABERA TOLA**  
 Chairman, Board of Directors



*(Handwritten signature of Abie Sano)*

**ABIE SANO**  
 President











# Oromiyaa Inshuraans Kaampaanii W.A ኦሮሚያ ኢንሹራንስ ኩባንያ አ.ማ Oromia Insurance Company S.C

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