

OROMIA INTERNATIONAL BANK S.C.



ANNUAL REPORT October 2008 - JUNE 2010

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Peoples' Bank !



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Vision

TO BE A BANK OF YOUR FIRST CHOICE

Mission

We are dedicated to achieving excellence in customer satisfaction and maximizing shareholders' value by providing the best banking services; through engaging highly motivated, skilled, and productive employees as well as state-of-the-art technology, and win the public confidence and trust.

Values

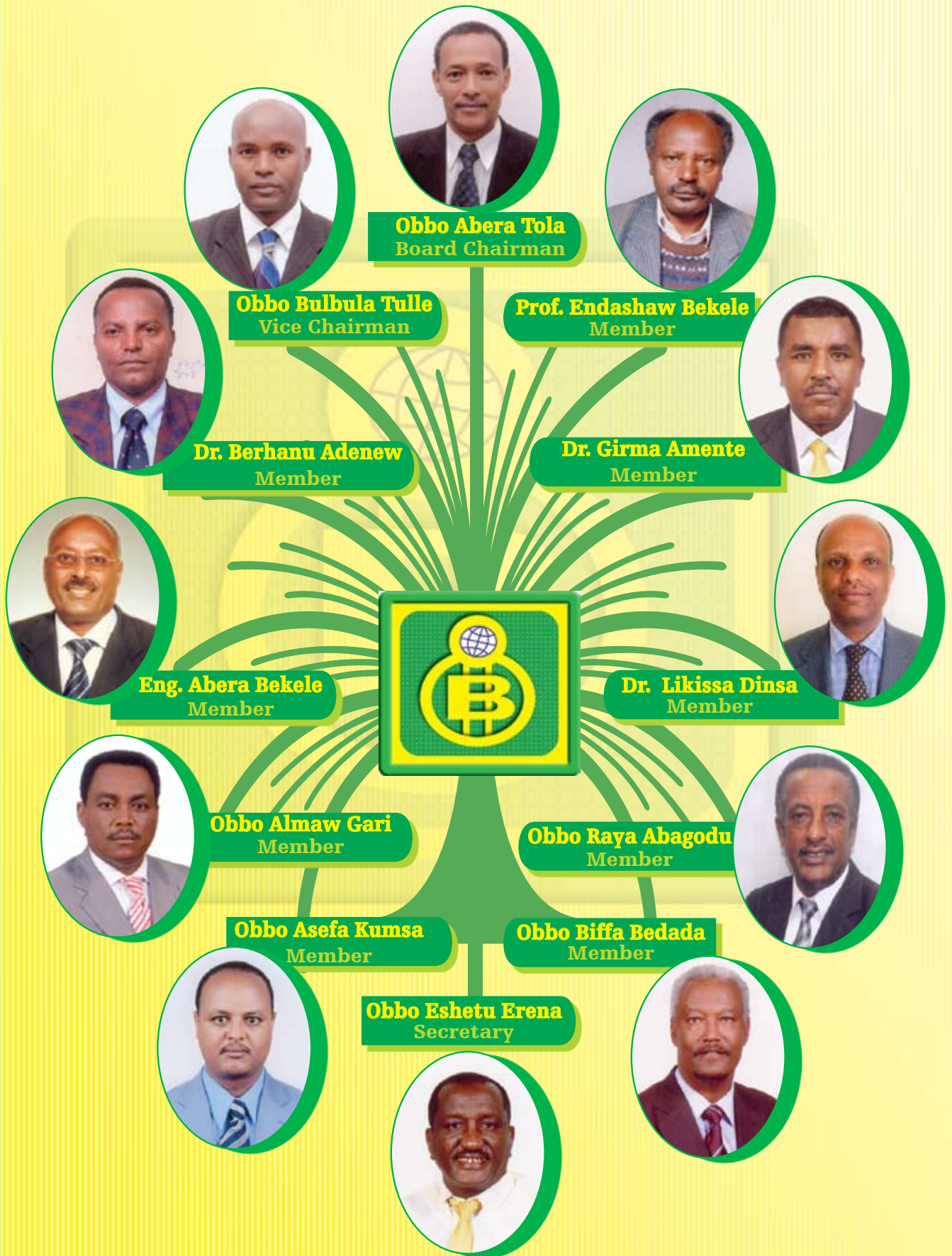
-  We value quality service and customer satisfaction
-  We promote a learning organization
-  We uphold participation, team spirit and respect for employees
-  We stand for integrity and confidentiality
-  We uphold corporate citizenship and responsibility
-  We care for our environment

MOTTO

Peoples' Bank !



BOARD OF DIRECTORS





EXECUTIVE MANAGEMENT



Obbo Abie Sano
President



Obbo Werku Lemma
V/P Corporate Support
Services



Obbo Mergia Deriba
V/P Operation & RM



Obbo Birhanu Gonfa
Director-Accounting &
Treasury



Adde Adanech Bedada
Chief-Compliance &
Internal Audit



Obbo Meshesha Ayano
Director-International Banking



Obbo Wakuma Bereded
Director-Materials &
Services



Obbo Alemayehu Demise
Director-Branch Operations



Obbo Tesfaye Basha
Director-Information
Technology



Obbo Eshetu Erena
Legal Department



Obbo Welde Bulto
Director-Credit
Management



Obbo Gelana Leta
Director-Human Resource



Obbo Neway Megersa
A/Director-BD & Planing



1. Message from the Board of Directors

Today is indeed a great and emotional day for all of us who have done our very best for the establishment of Oromia International Bank; gotten it off the ground and enable it to begin its historical journey. We are glad to see that you are all here to share and celebrate our delight, listen and give us your productive input that will help us to grow and prosper together.

This General Meeting of our shareholders is historical. After our first General Assembly in 2008, this is the first time to meet after 20 months of operation and testing ourselves on the ground. We believe that the Board and the Management of OIB have been successfully accomplishing the objectives of the Bank, moving in the right direction embracing its core values and beliefs.

It is with great pleasure and enthusiasm that we present and share with you the first report of the Board of Directors exhibiting its operational and financial performance for the period October 25, 2008- June 30, 2010.

As all of you remember, OIB received its license from the NBE on September 18, 2008 and commenced its operation on October 25, 2008. All our shareholders, founders, staff and customers were all happy as the dream came true. In the mean time, when OIB was striving to emerge and join the financial market, it has encountered various challenges: these includes price escalation of some equipment and materials like computers, vehicles, office space and office supplies; above all, the limitation of skilled and experienced human resource in the area exerted a huge pressure on us.

Therefore, it became apparent for the Board and staff to encounter the challenge differently and develop a strategy that can spread out our cost and accelerate deposits and borrowings. We acted to build confidence of our staff and customers to reach out our constituency. As a result, OIB had managed to set a new history in Ethiopian banking industry by opening 26 branches within a period of eight months on top of organizing itself. It had also mobilized a promising deposit of Birr 189.5million and granted loans of Birr 112 million net of provisions within a given constraint. Despite its aggressive branch opening step that required huge investment due to high costs of resources as a result of inflation, OIB's careful cost management strategy had helped to contain its financial losses at a possible minimum of about Birr 13.5million.

The other encounter which was surfaced during this period and affected all financial institutions and our infant Bank was the global financial crisis and its consequent economic downturn which had multiple detrimental impacts on the



economic and business activities of less developed countries. With globalization, there is no economy which is immune and can stand alone by itself safe and secured. Only the magnitude of the crisis may differ from country to country based on its stage of economic development and the scope of its financial integration. The crisis is manifested by decreasing export demand for primary commodities, plummeting remittances, declining domestic lending, deteriorating foreign direct investment (FDI), escalating energy prices and dwindling foreign exchange receipts, and pleading for bailout. The domestic macroeconomic challenge was also multifaceted as it was characterized by staggering inflation that led to a monetary policy which limited banks lending, power shortage, and scarcity of foreign exchange and construction materials as well as decline in demand for some export commodities.

The measures taken by government to curb the recent global financial panic and the domestic inflation have had considerable impacts on the overall activities of the banking industry in general and the newly established ones in particular, specifically in deposit mobilization, loan disbursement, branch expansion and as well as the repayment capacity of the borrowers. Fortunately, however, the global economy has improved over the past few months and major economies have been coming out of the recession since the second quarter of the financial year 2010 led by emerging Asian countries China and India. IMF, in its world economic outlook, announced in June 2010 that the world economy is forecasted to grow at an average of 4.5% for the financial year 2010.

The local macroeconomic environment has also shown significant improvement in the last few months of the year. Inflation is contained to a single digit principally due to a decline in prices of food items. The GDP growth is expected to be 10.1% as per the Ministry of Finance and Economic Development's (MOFED) estimate. According to the Ministry of Trade and Industry the country has generated over USD 2.0 billion from export proceeds over the past twelve months of 2009/10 fiscal year exhibiting 38.4% growth compared to 2008/9. Meanwhile, total merchandise imports showed a marginal increase of 7.7% to USD 8.32 billion. The Birr had been significantly devalued and the depreciation was fast and frequent, indicating the shortage of foreign exchange during 2009/10.

In spite of the global and domestic challenges faced by the businesses, it is pleasing to note that OIB has performed quite well in all aspects of its operations during the financial year 2009/10. OIB attained a gross profit of Birr 21.51 million and net profit after tax of Birr 19.22 million during 2009/10 financial year, registering an increase of 259.55% compared to the preceding year eight months performance. As of June 30, 2010 the total assets of the Bank stood at Birr 1.12 billion, exhibiting a growth of 242.74%. It shows that OIB is strengthening its asset base very fast and becoming one of the strong banks in the country. The amount of total deposits and



outstanding loans and advances has also grown by 333.2% and 225.8%, respectively manifesting the trust and confidence our customers have put in OIB. The Bank has also successfully increased its customer base from 9,367 to 26,129 or 179% and from 193 to 898 or 365% in number of depositors and borrowers respectively. OIB's paid up capital base has strengthened from Birr 115.5 million as of June 2009 to Birr 197.3 million as of June 30, 2010.

The Bank had been expanding its branch network aggressively. During the period 2009/10, however, it chose a cautious branch expansion strategy because of the prevailing economic and business environment. As a result, only ODA branch was opened at the site acquired for its future head quarter in its own building. On top of this, the Bank has been expanding its capital link into various investment areas such as Gutu Oromia share company, Elemtu Integrated Dairy Industry, Elemo-Kiltu House building, OIB-ODA real estate and Oromia Insurance S.C which will contribute to profitability of OIB and the socioeconomic development of the country and fulfill the aspirations of its owners and well wishers.

We aim to be the private bank with a public conscience, committed to reducing poverty, addressing the challenges faced by our environment, stimulating growth and development across the nation and generating attractive financial returns to our shareholders in the process with its shared vision of "to be a bank of your first choice", OIB is committed to deploying state-of-the-art information communication technologies and customer satisfaction driven innovative banking services that will reach all our beloved customers where and when they need it. The payoff of our commitment to valued customers will be a pleasing return on investment for our respected shareholders who put their confidence in the wisdom of OIB's Directors and Management in managing their money. In this regard, the Board of Directors is delighted to confirm to all our stakeholders that the foundation we have already laid for OIB's strategic successes is so strong that it will surely start paying off just the next financial year.



General meeting on OIB establishment



2. Operational Performance (October 2008-June 2010)

We present the Performance and Audited Financial Report for eight months ended June 30, 2009 and the year ended 30th June 2010 to the 2nd Annual General Meeting of the Shareholders as follows.

2.1. Bank Development

As of June 30, 2010 the total assets of the Bank stood at Birr 1.12 billion, exhibiting a growth of 243% when compared with the preceding year's closing balance. Out of the total assets of the Bank, liquid assets constituted Birr 629 million or 56%. On the other hand, loans and advances (net of provision) constituted 33% of the aggregate assets. The average annual loan to deposit ratio has went down from 60% in the preceding year to 45% in 2010. This was mainly attributable to the unprecedented growth of deposit and the credit cap set to curtail growth of inflation.

The total liabilities of the Bank as of June 30, 2010 were Birr 907 million, up by 314% from the preceding year. The lion's share (91%) of the liabilities is deposits.

The Bank's total capital (paid-up capital, share premium, Legal reserve and retained earnings) reached Birr 212 million as of 30 June 2010. When compared with the preceding year, it increased by 98%. The capital adequacy ratio of the Bank as of June 30, 2010, was 38%, which is well above the minimum statutory requirement of the 8% set by NBE. This indicates how the Bank's assets growth is adequately backed by proportionate growth of owners' equity, the risk absorption capacity of OIB and the lesser proportion of risky assets.

The aggregate income and expense of the Bank stood at Birr 80.3 million and Birr 58.8 million, respectively. A net profit after tax of Birr 19.2 million has been achieved for the second year of operation.

2.2. DEPOSIT MOBILIZATION

The total deposits as of June 30, 2010 stood at Birr 821million, claiming a growth of 333% or Birr 632 million compared with that of the preceding eight months closing balance. This is due to an increase exhibited in saving, demand and time deposits by 299%, 135% and 1,426%, respectively. The short term cost implications of the growing level of interest bearing deposits, particularly when credit growth is restricted is quite clear. However, OIB's deposit growth is a reflection of public confidence in the Bank, which is the very foundation on which commercial banking business stands.



OIB Inauguration at Hilton Hotel



Table-1: Breakdown of Deposits by type

(In '000' Birr)

Item	30/06/10	% share	30/06/09	% share	Growth	
					Absolute	% Growth
Demand Deposits	212,701	26%	90,696	48%	122,005	135%
Savings Deposits	318,759	39%	79,831	42%	238,928	299%
Fixed Time Deposits	289,475	35%	18,971	10%	270,504	1426%
Total	820,935	100%	189,498	100%	631,437	333%

Chart 1: Breakdown of Deposits by type as of June 2010

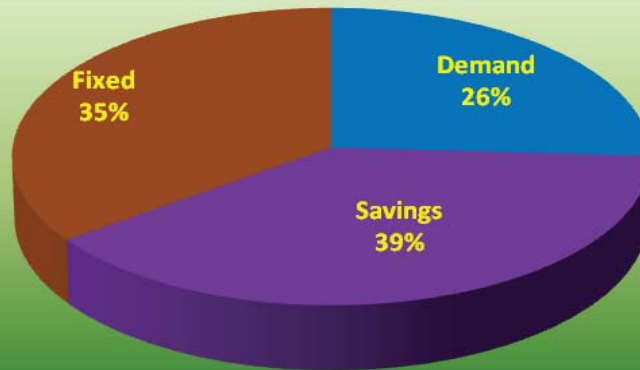


Chart 2: Comparative distribution of deposits by type



Branch Inauguration



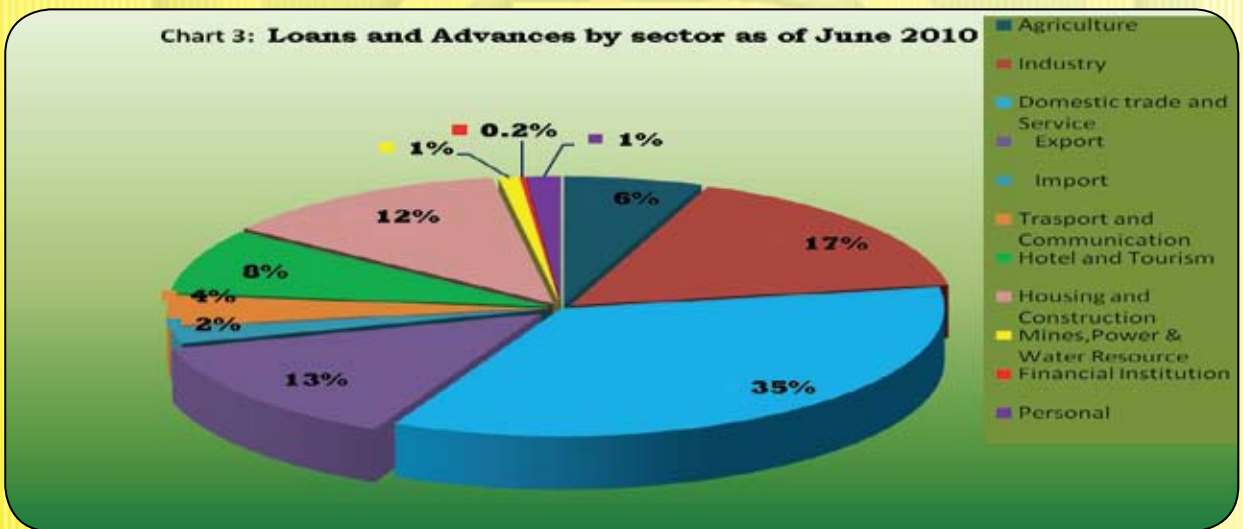
2.3. LOANS AND ADVANCES

As of June 30, 2010, the Bank’s outstanding loans and advances stood at Birr 365 million net of provision. This showed a net increase of Birr 253 million (226%), when compared with the last year portfolio. The net loans and advances to deposit ratio of OIB at the end of the financial year is 44.4% which was very low by all standard.

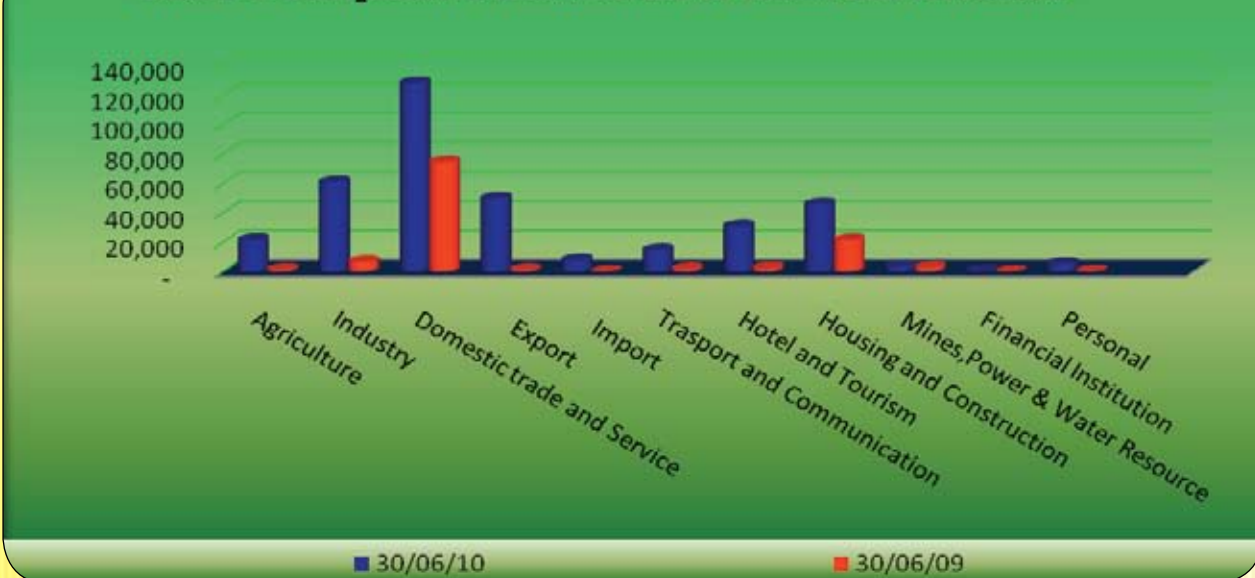
Looking into the distribution of loans and advances by major end use shows that 34.8% of the total loans and advances were absorbed by domestic trade and services sector followed by Industry (16.5%), Export (13.5%), Housing and construction (12.4%) and Agriculture (5.9%).

Table-2: Loans and Advances by economic sector (In ‘000’ Birr)

Economic Sectors	30/06/10	% Share	30/06/09	% Share	Absolute	% Growth
Agriculture	21,638	6%	1,467	1%	20,171	1,375%
Industry	60,936	17%	6,789	6%	54,147	798%
Domestic trade and Service	128,311	35%	74,359	66%	53,952	73%
Export	49,687	13%	1,315	1%	48,371	3,678%
Import	7,811	2%	-	-	7,811	-
Trasport and Communication	14,493	4%	1,937	2%	12,556	648%
Hotel and Tourism	30,827	8%	2,531	2%	28,297	1,118%
Housing and Construction	45,796	12%	21,638	19%	24,158	112%
Mines,Power & Water Resource	3,291	1%	2,927	3%	364	12%
Financial Institution	787	0.2%	-	-	787	-
Personal	5,417	1%	297	0.3%	5,120	1,722%
Total	368,993	100%	113,260	100%	255,733	226%



Staff training secession

Chart 4: Comparative Distribution of Loans and Advances


2.4. Foreign Currency Generation

The total foreign currency mobilized by International Banking Function, as of June 30, 2010 stood at USD 54.0 million, exhibiting a growth of 1,560% or USD 50.8 million compared with that of the preceding financial year eight months performance. The sources are Incoming transfer 68%, export earning 29%, forex dealing 2% and Purchase of different foreign currencies 1%.

Table3: Sources of foreign currency in USD

No	Item	30/06/10	% Share	30/06/09	% Share	Absolute Growth	% Growth
1	Forex dealing	1,000,000	2%	750,000	23%	250,000	33%
2	Cash purchase	734,627	1%	192,297	6%	542,330	282%
3	Inward transfer	36,910,301	68%	1,734,389	53%	35,175,912	2,028%
4	Export	15,388,253	29%	579,305	18%	14,808,948	2,556%
Total		54,033,181	100%	3,255,991	100%	50,777,190	1,560%

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Travel Ethiopia PLC



Chart 5: compositions of foreign currency by origin of source as of June 2010

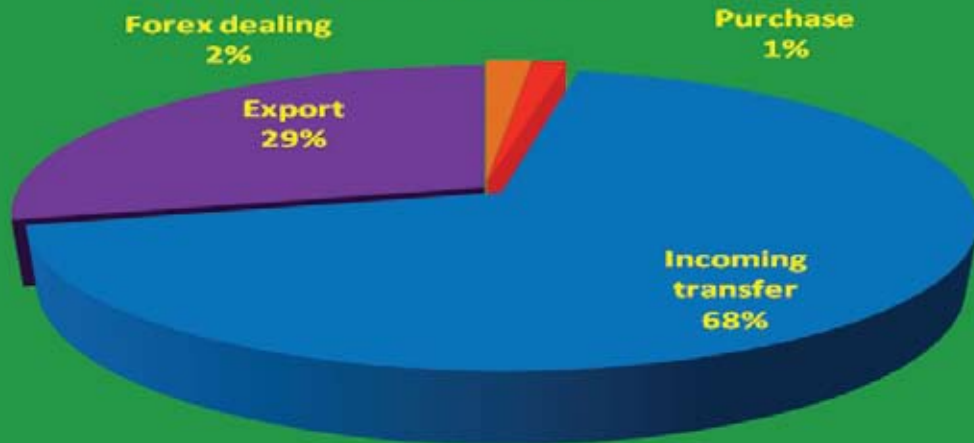
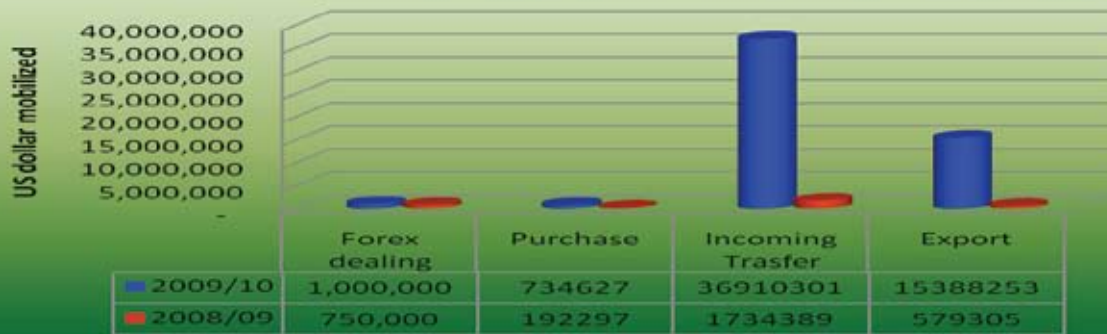


Chart 6: Comparative mobilization of foreign currency



3. Income and Expense Statement

3.1. Income

The Bank earned an aggregate income of Birr 80.26 million during 2009/10 financial year, registering an increase of 1,038% when compared with the result achieved in the preceding year eight months performance.

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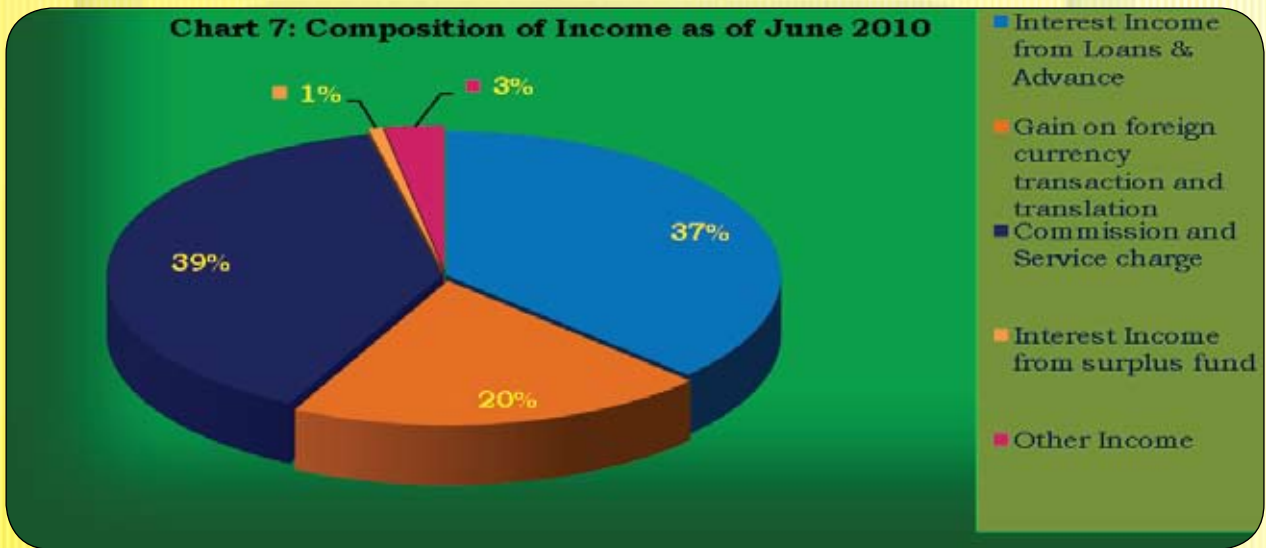
National Tobacco Enterprise

Table - 4: Composition of Income by type

(In '000' Birr)

Item	30/06/10	% share	30/06/09	% share	Absolute Growth	% Growth
Interest Income from Loans & Advance	29,832	37%	2,346	33%	27,485	1,171%
Gain on foreign currency dealings	16,336	20%	1,471	21%	14,865	1,010%
Commission and Service charge	31,222	39%	1,638	23%	29,584	1,806%
Interest Income from surplus fund	552	1%	1,295	18%	(743)	-57%
Other Income	2,318	3%	306	4%	2,012	658%
TOTAL INCOME	80,260	100%	7,056	100%	73,204	1,038%

Looking at the components of the total income, Commission and service charges constitutes 38.9% followed by interest income, gains on foreign exchange holding/dealings and other income at 37.2%, 20.4% and 2.9% respectively. Each income item shows a significant growth when compared with that of the preceding period except interest income from surplus fund.



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Alfoz PLC



Chart 8: Comparison of income by type



3.2. EXPENSE

The total expenses of the Bank, including provision for doubtful loans for 2009/10 financial year, reached Birr 58.8 million. It exceeded that of the preceding period record by Birr 38.2 million or 186%. Out of the total expenses, General and Administrative expense constituted 40% followed by salaries and benefits and interest paid on savings and fixed time deposits of 34% and 26% respectively.

Table-5: Composition of expenses by type (In '000 Birr)

ITEM	30/06/10	% share	30/06/09	% share	Absolute Growth	% Growth
General and Administrative Expense	23,472	40%	11,136	19%	12,336	111%
Interest Expense	15,227	26%	565	1%	4,662	2,594%
Salary & Employee Benefits	20,051	34%	8,836	15%	11,215	127%
TOTAL EXPENSES	58,750	100%	20,537	35%	38,213	186%

All expense items recorded significant growth parallel with the trends of business activities during the period under review. Accordingly, interest expense has increased by Birr 14.7million or 2,594% over the preceding year level. This is particularly due to the substantial growth of savings and time deposits during the financial year. The expenses for salaries and benefits also grew by Birr 11.2 million or 127% mainly as a result of the new employees recruited during the

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Soreti International Trading

period under consideration and the difference in the length of the compared reporting periods. Likewise, General and Administrative expenses went up by Birr 12.3 million or 111% owing to the continuous expansion of the volume of the Bank’s operational activities and the period differences mentioned above.

Chart 9: Composition of Expenses as of June 2010

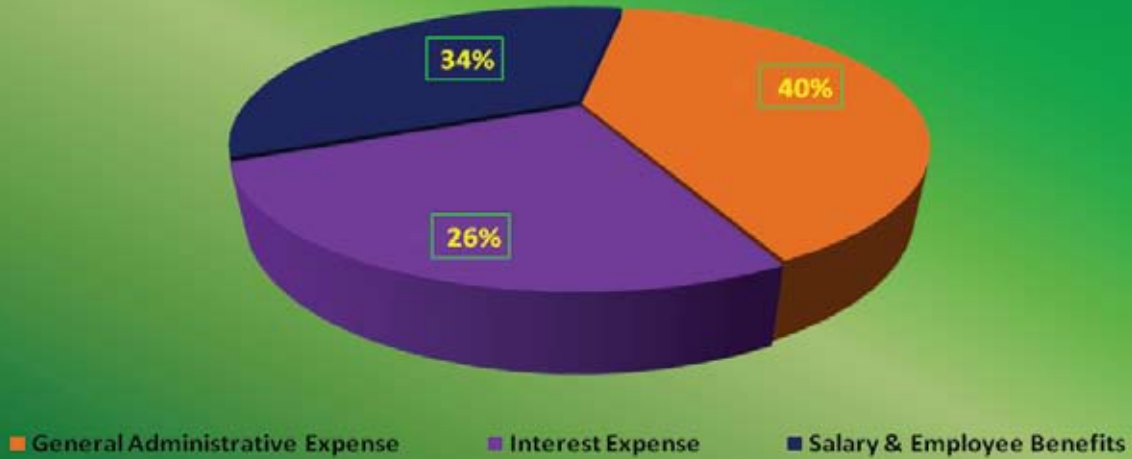
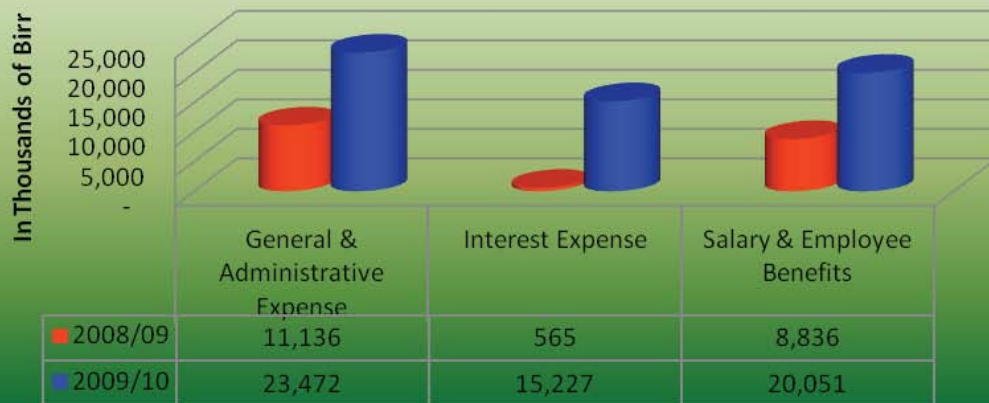


Chart 10: Comparison of Expenses by type



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Yencomad PLC



3.3. INCOME FROM INTERNATIONAL BANKING OPERATIONS

International banking is one of the most important income generating activities of the Bank. During the reporting period, remarkable achievements were registered in international banking operations. Total income generated from Foreign Banking Operations stood at Birr 42.9 million, accounting for 53.4% of the total income of the Bank. Out of this, commission and service charges constituted the highest part (Birr 26.6 million or 62%) of the total income generated from the operation of international banking followed by gain from exchange rate fluctuation and gain on foreign exchange dealings of Birr 11.3 million (26.3%) and Birr 5.1 million (11.8%), respectively.

3.4. 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 21.5 million and Birr 19.2 million, respectively.

3.5. 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 2.98% during the financial year 2009/10, the return on average paid-up capital employed was 12.96%. Thus, a share with a par value of Birr 1,000 earned Birr 129.60. This result indicates the excellent performance of the Bank, in spite of the credit cap on advancing credit, the limited sources of foreign exchange and a relative short period since commenced operation.

3.6 DISTRIBUTION OF NET PROFIT

After making appropriate deductions (loss brought forward from last year operation and business profit tax) from gross profit earned during the fiscal year, Oromia International Bank S.C. was able to generate a net profit of Birr 5,715,072. The Board of Directors, therefore, request the General Meeting of Shareholders to accept, Birr 4,813,222 be kept in the legal reserve as per Proclamation No. 592/2008 Art 19 (1) and the remaining amount of Birr 901,850 to be transferred to retained earning account.

4. HUMAN RESOURCES

The staff strength of the Bank at the end of June 2010 reached 546, registering a growth of 22.7% from the preceding year. A total of 101 additional employees were recruited during the reporting period, of which 45 are professional and clerical staff and the remaining 56 non-clerical staff. Human resource development is one of the prime concerns of the Bank. To this end, during the period under consideration, 12 training session were conducted to cope with the ever changing business environment as well as to provide efficient banking services to customers. A total of 513 employees of the Bank have participated in these programs.

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Get-As International PLC



5. INFORMATION TECHNOLOGY

From the inception, the Bank has commenced its operation with the help of in-house developed, oroBank software. All branches are networked (Local-Area-Network) and computerized. The system is also partially integrated with international money transfer agents' systems. The Bank has acquired a latest core banking software whose bid, evaluation and contract signing has completed at the end of the financial year.

6. BRANCH EXPANSION

During the ended financial year, the Bank opened one additional branch in Finfine, namely ODA to attain a total of 27 branches, in contrast to the previous financial year during when 26 branches were opened within a period of eight months. The Bank has strategically slowed down aggressive branch opening to concentrate on the business performance of the opened branches for the reasons mentioned elsewhere. Six branches of the 27 are in Finfine and the remaining in regional towns.

7. FUTURE PLANS

OIB intends to be the gateway to the 'missing middle'. Serving the missing middle with financial services 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 continue striving to implement core banking solution in the coming financial year and to introduce new products/services such as ATM, POS, Debit and Credit cards, Mobile banking, Interest free banking and other alternative banking services. Foreign exchange mobilization has been one of the major challenges for the banking industry since the incident of the global financial crisis. Having understood this situation, the Bank will endeavor to attract prominent exporters and establish business relationship with renowned international money transfer service providers in the coming financial year. Due attention will also be given to maintaining the quality of the Bank's assets by establishing sound risk management systems and practices. The Bank has acquired a land at core place in the city and where financial institutions are making their first choice. Procurement of professional services for design and consulting is under process and we hope we could build in the coming few years a complex that will reflect our image.

8. VOTE OF THANKS

The Board of Directors would like to acknowledge and appreciate the important role played by various stakeholders for the remarkable achievement of the Bank during Period October 2008 - June 2010. In this regard, the Board would like to express its appreciation to the National Bank of Ethiopia for its professional guidance; the valued customers of the Bank for choosing our services; the Management and the entire employees of OIB for their hard work and dedication. The Board expresses its exceptional gratitude to the Bank's shareholders for their strong loyalty and support, which they have demonstrated since the foundation process of OIB.

Abera Tola

Chairman of the Board of Directors
October 2010



AUDITORS' REPORT



ደገፋ ለሜላና ኩባንያው
ቻርተርድ ሠርተፋይድ አካውንታንትስ (ለንደን)
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አዲስ አበባ ኢትዮጵያ

DEGEFA LEMESSA & CO.
Chartered Certified Accountants (London)
Authorized Auditors in Ethiopia

P.O.Box: 8118

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Addis Ababa Ethiopia

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

1. We have audited the accompanying balance sheet of Oromia International Bank S.C. as of 30 June 2009 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We have no comment in the Board of Directors report in accordance with Article 375 of the Commercial Code of Ethiopia of 1960 and recommend acceptance of it.
4. In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2009 and of the results of its operations and its cash flows for the year then ended in accordance with its accounting policies.

Addis Ababa
October 16, 2009



Degefa Lemessa & Co.

Degefa Lemessa & Co.
Chartered Certified Accountants
Authorized Auditors.



ደገፋ ለሜሳና ኩባንያው
ቻርተርድ ሠርቲፋይድ አካውንታንትስ (ለንደን)
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Addis Ababa Ethiopia

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

We have audited the accompanying balance sheet of Oromia International Bank S.C. as of 30 June 2010 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statement give a true and fair view of the financial position of the Company as at 30 June 2010 and of the results of its operations and its cash flows for the year then ended in accordance with its accounting policies.

We have no Comments to make on the report of your Bank's Directors and in accordance with Article 375 of the Commercial Code of Ethiopia 1960, recommend acceptance of it.

Degefa Lemessa & Co.

Degefa Lemessa & Co.
Chartered Certified Accountants
Authorized Auditors.



Addis Ababa
September 9, 2010



OROMIA INTERNATIONAL BANK S.C
BALANCE SHEET
AS AT 30 JUNE 2010

	NOTE	BIRR	BIRR	2009 BIRR
ASSETS				
Cash and bank balance				
Cash on hand	4	162,992,178		63,340,958
Deposit with foreign bank		262,215,344		26,333,030
Deposit with local banks		507,083		25,449,826
NBE reserve account		118,000,000		30,000,000
NBE payment & settlement account		<u>84,936,981</u>		<u>29,344,300</u>
			628,651,586	174,468,114
Other assets	5	50,416,367		14,231,898
Loan & advances	7	364,768,987		112,132,575
Fixed assets	2,3	36,576,236		12,606,360
Deferred expenditure	8	5,343,525		6,919,069
Investment	6	32,816,000		6,000,000
Total assets			<u>489,921,115</u>	<u>151,889,902</u>
			<u>1,118,572,701</u>	<u>326,358,016</u>
LIABILITIES				
Deposits	9			
Demand deposit		212,701,053		90,695,812
Saving deposit		318,758,890		79,831,030
Fixed deposit		289,474,694		18,970,839
Profit tax payable	11 (a)	2,284,756		-
Other liabilities	10	<u>83,314,732</u>		<u>29,521,722</u>
Total liabilities		906,534,125		219,019,403
Deferred tax liability	11 (c)	<u>28,393</u>		<u>56,404</u>
Total liabilities			906,562,518	219,075,807
CAPITAL & RESERVES				
Paid up capital		197,287,083		115,480,336
Share premium		9,008,028		5,339,688
Legal reserve		4,813,222		-
Retained earnings/Loss/		<u>901,850</u>		<u>(13,537,814)</u>
Total liabilities and capital			<u>212,010,183</u>	<u>107,282,209</u>
			<u>1,118,572,701</u>	<u>326,358,016</u>

Board Chairman



President



**OROMIA INTERNATIONAL BANK S.C
PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

	<u>NOTE</u>	<u>BIRR</u>	<u>BIRR</u>	<u>2009 BIRR</u>
INCOME				
Interest income	13		30,383,601	3,640,873
Commission and service charges	14		31,222,274	1,637,868
Gain from exchange rate fluctuation			11,275,114	1,471,322
Gain on foreign exchange dealings			5,061,243	-
Other income	15		<u>2,317,508</u>	<u>305,637</u>
			80,259,740	<u>7,055,700</u>
EXPENSES				
General and administrative	18	20,027,132		9,758,646
Salary and benefits	17	20,050,699		8,835,889
Provision for doubtful		3,085,208		1,132,599
Interest expense	16	15,227,071		565,226
Audit fee expense		46,000		28,750
Board allowances		<u>314,000</u>		216,000
Total expenses			<u>(58,750,110)</u>	<u>(20,537,109)</u>
Net profit (or loss) for the year			21,509,630	(13,481,410)
Provision for taxation			<u>(2,284,756)</u>	-
			19,224,874	(13,481,410)
Deferred tax asset / liability			<u>28,012</u>	<u>(56,404)</u>
			19,252,886	(13,537,814)
Transfer to legal reserve			<u>(4,813,222)</u>	-
			14,439,664	(13,537,814)
Accumulated loss brought forward			<u>(13,537,814)</u>	-
Retained profit /loss/			<u>901,850</u>	<u>(13,537,814)</u>


Board Chairman




President



OROMIA INTERNATIONAL BANK S.C
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	BIRR	BIRR	2009 BIRR
<u>Cash Flow from Operation Activity</u>			
Net loss/profit before tax		21,509,630	(13,481,410)
Adjustment for:			
Depreciation & amortization		5,391,107	2,284,972
Provision for loans & advances		3,085,208	1,132,599
Fixed assets & deferred expenditure		-	8,963
Effect of exchange rate fluctuation & FOREX dealing		<u>(16,336,357)</u>	<u>(1,471,322)</u>
Cash flow before change in working capital		13,649,588	(11,526,198)
Increase in other assets	(36,184,469)		(7,083,854)
Increase in loan & advances	(255,721,619)		(113,265,174)
Increase in deposits	631,436,956		189,315,272
Increase in other liabilities	<u>53,793,010</u>		<u>28,516,528</u>
		<u>393,323,878</u>	<u>97,482,772</u>
Net cash inflow from operation		406,973,466	<u>85,956,574</u>
<u>Cash Flow from Investment Activities</u>			
Purchase of fixed assets	(27,785,438)		(12,507,404)
Deferred expenditures	-		(1,100,517)
Investment in shares	<u>(26,816,000)</u>		<u>(6,000,000)</u>
<u>Cash out flow from investing activities</u>		(54,601,438)	<u>(19,607,921)</u>
Share capital collected	81,806,747		14,383,554
Share premium collected	<u>3,668,340</u>		<u>606,988</u>
Net cash inflow from financing activity		85,475,087	<u>14,990,542</u>
		<u>16,336,357</u>	<u>1,471,322</u>
<u>Effect of exchange rate fluctuation & FOREX dealing</u>			
Changes in cash & cash equivalent		454,183,472	82,810,517
Cash and cash equivalent at the beginning of the year		<u>174,468,114</u>	<u>91,657,597</u>
Cash and cash equivalent at the end of the year		<u>628,651,586</u>	<u>174,468,114</u>

Board Chairman



President



OROMIA INTERNATIONAL BANK S.C.
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2010

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.

The Bank has been established and started its banking operation with the aim of achieving the following short term and medium term objectives:

- ❖ Receiving demand, saving and other deposits on the terms and conditions the board may prescribe.
- ❖ Granting short and medium term credit facility;
- ❖ Encouraging income generating projects for urban and rural and micro small and medium operators
- ❖ Providing counseling service to its clients, rendering managerial, marketing, technical and administrative advice to borrowers and assisting them to obtain services in those fields.
- ❖ Providing loans, advances and over draft facility.
- ❖ Draw, accept, discount, buy and sell bills of exchange, drafts and promissory notes within or outside Ethiopia.
- ❖ Issue letters of credit
- ❖ Buy, sell, hold and otherwise deal in foreign exchange.
- ❖ Hold, acquire and sell negotiable instruments, negotiable securities, movable and immovable property including collaterals held.
- ❖ Accept for self-keeping in safe or otherwise securities, Jewels, precious metals and other valuable properties
- ❖ Issue cheques and travelers cheques and generally deal in cheques.
- ❖ Negotiate, underwrite and manage the issue of shares, bonds and debenture.
- ❖ Act as agent for bank's customers and engage in the purchase and sale of money and securities.
- ❖ Enter into contracts of surety ship on guarantee with or without security.
- ❖ Borrowing funds for the company's operation and providing and earmarking the company's properties as a security for the funds obtained.
- ❖ Engage in all other banking and related transactions in pursuit of quality banking services.

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 respectively.

b) FIXED ASSETS

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

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

c) Fixed assets in store are not depreciated**d) Deferred charges are depreciated at 20% per annum on straight line basis.****e) STOCKS**

Stocks are valued on FIFO costing base

f) INVESTMENT

Investment is carried at cost of acquisition

g) INTEREST ON LOANS

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

h) COMMITMENT ON LETTERS OF CREDIT

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

i) GUARANTEES ISSUED

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



3 FIXED ASSETS

a)	Balance on 30/06/2009 <u>Birr</u>	Addition <u>Birr</u>	Adjustment <u>Birr</u>	Balance at 30/06/2010 <u>Birr</u>
<u>COST</u>				
Motor vehicles	7,062,240	3,684,940	-	10,747,180
Furniture & fittings	3,283,838	2,281,917	(437)	5,565,318
Office equipment	1,503,728	1,797,843	-	3,301,571
Computer and accessories	2,284,447	1,708,864	-	3,993,311
Construction in progress	-	<u>18,311,874</u>	-	<u>18,311,874</u>
	14,134,253	<u>27,785,438</u>	<u>(437)</u>	<u>41,919,254</u>
<u>DEPRECIATION</u>				
Motor vehicles	868,338	1,480,655	-	2,348,993
Furniture & fittings	290,512	996,096	(437)	1,286,171
Office equipment	113,670	518,239	-	631,909
Computer and accessories	<u>255,373</u>	<u>820,572</u>	-	<u>1,075,945</u>
	<u>1,527,893</u>	<u>3,815,562</u>	<u>(437)</u>	<u>5,343,018</u>
Book value	<u>12,606,360</u>			<u>36,576,236</u>

The balance shown as construction in progress represents cost of freehold land along with some structure bought for putting up future head quarters of the Bank. The construction has not yet commenced.

4 CASH IN HAND

	<u>BIRR</u>	2009 <u>BIRR</u>
Imprest fund	68,000	46,500
Local currency in value	159,987,443	62,286,104
Foreign currency in Birr	<u>2,936,735</u>	<u>1,008,354</u>
	<u>162,992,178</u>	<u>63,340,958</u>

5 OTHER ASSETS

	<u>BIRR</u>	2009 <u>BIRR</u>
Accounts receivables	6,824,787	657,279
Supplies stock	2,166,628	1,046,913
Fixed assets in store	1,171,720	2,185,014
Uncleared effect - local	28,238,987	4,096,906
Uncleared effect - foreign	2,525,136	742,323
Prepayments	<u>9,489,109</u>	<u>5,503,464</u>
	<u>50,416,367</u>	<u>14,231,898</u>



6 INVESTMENT

		BIRR	2009 BIRR
Oromia Insurance S.C		6,000,000	6,000,000
Gutu Oromia Business S.C		625,000	-
Elemtu Integrated Dairy Industry S.C		500,000	-
Elemo Kiltu House Building		500,000	-
OIB - ODA Real Estate Plc		<u>25,191,000</u>	<u>-</u>
		<u>32,816,000</u>	<u>6,000,000</u>

7 LOAN AND ADVANCES

		BIRR	2009 BIRR
Hotel & tourism		10,170,548	-
Import		6,299,188	-
Merchandise		2,018,247	27,311,165
Building & construction		43,246,494	7,919,388
Domestic trade and service		190,172,432	68,927,279
Export		37,073,122	1,315,285
Manufacturing		40,917,610	5,292,473
Transport		8,673,556	1,936,933
Agricultural production		16,478,175	302,509
Staff loan		1,644,345	260,142
Non performing loans		<u>12,293,077</u>	-
		368,986,794	113,265,174
Less: provision for doubtful debts	(4,217,807)	<u>(1,132,599)</u>	
		<u>364,768,987</u>	<u>112,132,575</u>

8 DEFERRED EXPENDITURES

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

	Balance as at 24/10/09 Birr	Addition Birr	Balance as at 30/06/10 Birr
<u>COST</u>			
Establishment cost	6,777,205	-	6,777,205
Soft ware	<u>1,100,517</u>	-	<u>1,100,517</u>
	<u>7,877,722</u>	-	<u>7,877,722</u>
<u>AMORTIZATION</u>			
Establishment cost	903,627	1,355,441	2,259,068
Soft ware	<u>55,026</u>	<u>220,103</u>	<u>275,129</u>
	<u>958,653</u>	<u>1,575,544</u>	<u>2,534,197</u>
Book value	<u>6,919,069</u>		<u>5,343,525</u>



9 DEPOSITS

a)	<u>DEMAND BIRR</u>	<u>SAVINGS BIRR</u>	<u>FIXED TIME BIRR</u>	<u>TOTAL BIRR</u>	<u>2009 BIRR</u>
Cooperative and associations	16,840,882	897,952	6,413,317	24,152,152	8,349,080
Non-bank financial institutions	1,001,630	-	-	1,001,630	10,315,702
Private sector	185,433,738	317,050,371	23,834,209	526,318,318	169,239,426
Public agencies and enterprises	4,458,904	240,615	85,000,000	89,699,519	1,411,064
Domestic banks	-	-	150,000,000	150,000,000	-
Retention account	511,571	-	-	511,571	182,409
Government & Regional	44,876	-	-	44,876	-
Financial Institutions	3,967,940	569,952	24,227,167	28,765,059	-
Diaspora account	441,511	-	-	441,511	-
	<u>212,701,053</u>	<u>318,758,890</u>	<u>289,474,693</u>	<u>820,934,637</u>	<u>189,497,681</u>
	<u>90,695,812</u>	<u>79,831,030</u>	<u>18,970,839</u>	<u>189,497,681</u>	

10 OTHER LIABILITIES

	<u>BIRR</u>	<u>2009 BIRR</u>
Income tax payable	137,454	117,107
Stamp duty charge	175,593	81,960
Interest on deposit	71,529	106,297
Accruals	888,816	452,199
Exchange payable to NBE	1,380,115	303,667
Other bank special clearance	17,136,440	6,307,401
CPO & certified cheques issued	15,013,210	3,662,389
Withholding tax payable	58,163	26,332
Blocking in wards	3,486,054	3,116,204
TT payable	9,063,385	6,019,670
Audit fee payable	46,000	28,750
Miscellaneous	1,645,495	328,698
Sales tax	-	4,901
Margin held on letters of credits	32,859,605	6,941,469
Cash transfer to CBE	-	2,000,000
Money transfer foreign	1,352,873	24,679
	<u>83,314,732</u>	<u>29,521,723</u>

11 PROFIT TAX COMPUTATION

a	<u>BIRR</u>	<u>2009 BIRR</u>
Net profit (loss) before taxation	21,509,630	(13,481,410)
Add: depreciation and amortization expense	5,391,107	2,284,268
Less: depreciation & amortization per tax proclamation	(5,297,742)	(2,472,282)
Add: Entertainment	96,235	60,982
Donation	17,100	60,000
Less: Interest income taxed at source	(552,034)	-
Less: Accumulated loss brought forward	(13,548,442)	-
Taxable profit	<u>7,615,854</u>	<u>(13,548,442)</u>
Provision for taxation- 30%	<u>2,284,756</u>	-



b Depreciation for tax purpose	Computer	Other	Depreciation
	accessories	Business assets	Total Birr
Depreciation base brought forward	1,903,706	10,269,833	
Current year additions	<u>1,708,864</u>	<u>7,764,262</u>	
Depreciation base at end of the year	3,612,570	18,034,095	
Depreciation 25% and 20%	<u>(903,143)</u>	<u>(3,606,819)</u>	4,509,970
Depreciation base carried forward	<u>2,709,428</u>	<u>14,427,276</u>	
Deferred expenditure at 10% of 7,877,722			787,772
			<u>5,297,742</u>
c Deferred tax liability			
Depreciation & amortization computed for reporting purpose		5,391,107	2,284,268
Depreciation & amortization computed for tax purpose		<u>(5,297,734)</u>	<u>(2,472,282)</u>
Temporary difference		93,373	<u>(188,014)</u>
Deferred tax asset/liability, 30%		28,012	<u>(56,404)</u>
Balance brought forward		<u>(56,404)</u>	
Balance carried forward		<u>(28,393)</u>	

12 SHARE CAPITAL

	Number of shares BIRR	Par value BIRR	BIRR	2009 BIRR
Subscribed capital	279,174	1,000	<u>279,174,000</u>	279,174,000
Fully paid up capital			<u>197,287,083</u>	<u>115,480,336</u>

13 INTEREST EARNED ON

	BIRR	2009 BIRR
Loans and advances	29,831,567	2,346,256
Surplus fund	<u>552,034</u>	<u>1,294,617</u>
	<u>30,383,601</u>	<u>3,640,873</u>

14 COMMISSION AND SERVICE CHARGE

	BIRR	2009 BIRR
CPOs and cheques paid	113,672	4,548
Others	3,054	5,648
MTs, TTs and demand draft	4,614,081	422,569
Letter of guarantee	207,234	19,487
Opening commission on L/C	5,420,852	353,291
Services charges - local	84,355	11,326
Services charges - foreign	<u>20,779,026</u>	<u>820,999</u>
	<u>31,222,274</u>	<u>1,637,868</u>



15 OTHER INCOME

	<u>BIRR</u>	<u>2009 BIRR</u>
Cash overage	30,163	9,921
Estimation & inspection fee	359,100	60,800
sundries	90,490	17,316
Postage telephone and telegram	<u>1,837,755</u>	<u>217,600</u>
	<u>2,317,508</u>	<u>305,637</u>

16 INTEREST EXPENSE

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

	<u>BIRR</u>	<u>2009 BIRR</u>
Correspondents	446	-
Fixed time deposit	9,758,578	115,665
Saving deposit	<u>5,468,048</u>	<u>449,561</u>
	<u>15,227,071</u>	<u>565,226</u>

17 SALARIES & BENEFITS

	<u>BIRR</u>	<u>2009 BIRR</u>
Medical & related	296,220	66,805
Utility allowance	139,956	64,820
Training & education	327,382	24,351
Uniform	119,396	4,707
Transportation & fuel allowances	2,099,926	725,522
Salaries	13,191,018	6,084,462
Acting allowance	2,629	9,640
15% provident fund contribution	1,890,230	863,054
Representation allowance	343,514	182,721
Housing allowance	465,038	125,368
Cash indemnity allowance	539,627	179,878
Disturbance allowance	4,200	5,500
Overtime	-	6,595
Accrued Leave	437,836	449,671
Staff insurance	<u>193,726</u>	<u>42,795</u>
	<u>20,050,699</u>	<u>8,835,889</u>



18 GENERAL EXPENSES

	<u>BIRR</u>	<u>2009 BIRR</u>
Advertisement & publicity	1,254,036	608,481
Parking	6,215	2,892
Correspondent charges	100,604	24,830
Donations & contribution	25,100	60,000
Entertainment & conference	96,235	60,982
Inauguration	38,266	452,707
Property insurance	605,522	350,174
Consultancy fee	14,760	1,500
Cheque books	1,344	24,457
Repair & maintenance	223,685	115,169
Subscription	211,605	303,330
License fees	30,865	12,160
Office rent	6,369,600	3,450,819
Travel and per diem	548,880	232,945
Fuel & lubricant	377,295	182,962
Postage	67,042	5,932
Stationary, printing and office supplies	1,564,167	424,663
Sundries	360,156	244,170
Telephone, swift & internet	1,492,335	544,231
Transportation	238,883	99,853
Wages	243,020	121,628
Water & electricity	102,138	32,601
Revenue stamps	10	36
Depreciation & amortization	5,391,107	2,280,085
Cleaning supplies	157,038	8,608
Motor vehicle inspection	5,012	428
Money bag	985	433
Membership fees	76,850	91,850
Bank charge	424,377	20,721
	<u>20,027,132</u>	<u>9,758,646</u>

19 CONTINGENT LIABILITY AND COMMITMENT BALANCES

	<u>BIRR</u>	<u>2009 BIRR</u>
Contingent liability on guarantees issued	18,522,601	6,045,229
Commitment on letters of credit net of the margin held	102,717,032	5,159,218
	<u>121,239,633</u>	<u>11,204,447</u>

20 MEMORANDUM ACCOUNT

	<u>BIRR</u>
Interest on loan and advance NPL	221,417
Money bags	26
Outward bills for collections-city branch cheques	61,500
Outward bills for collections-other branches city clearance	1,331,153
IBC-sight	7,498,439
	<u>9,112,535</u>

21 COMPARATIVE FIGURES

Some of the previous years figures have been rearranged for maintaining their consistency with current year presentation.